Dulles Gateway Center – Phase II

By

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Dulles Gateway Center – Phase II

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I. EXECUTIVE SUMMARY

This feasibility study has been conducted to provide the profit and market potential of a proposed recommendation to build a 140,616 Gross Leasable SF Class A office building known as Dulles Gateway Center – Phase II. The study provides direction for the investment board to make an informed decision based on research available at the time of this report dated August 2007.

Background & Summary

APA Properties No 1 LP, an entity of Peter Lawrence Commercial Real Estate of Tampa, FL, owns two adjacent land parcels totaling 19.06 acres (17.86 acres with street dedications). The subject property is located along the east side of Route 28/Sully Road which runs north and south along the eastern border of the Dulles International Airport. The subject property is located in Fairfax County, VA, which is approximately 20 miles due west of Washington, D.C. The development potential of the two combined parcels is 1.0 FAR or roughly 830,250 SF. In 1996, APA Properties No 1, received site plan approval to develop a 5 office building complex with 3 structured parking garages. The then approved site plan achieved an FAR of 0.7743. Since then, only one office structure, Dulles Gateway Center – Phase I has been built (1998). This improvement is a six-story 147,624 SF Class A office building. The proposed Dulles Gateway Center (DGC) – Phase II would be a direct structural addition to DGC – Phase I. DGC – Phase II would connect to DGC – Phase I through a shared 2 story lobby and floor plate connections on levels 5 and 6.

Project Status

The Dulles Gateway Center – Phase II project is in the initial feasibility study stages with our land use attorney, architect and engineer agents engaged with the Fairfax County staff conducting pre-application meetings. We already have a Phase I Environmental Site Assessment (ESA) from Dulles Gateway Center – Phase I. However, discussions with potential lenders have specified in order to receive funding an up-to-date Phase I ESA and Property Condition Assessment (PCA) report is needed. Preliminary site plan concept drawings and parking requirement calculations have been developed by our own staff based on the original 1996 site plans. For purposes of this development practicum it is assumed the Special Exception received in 1996 has since expired per Fairfax County Zoning Ordinance Article 9-015 and 9-016. Therefore, a new Special Exception permit will need to be obtained.

Feasibility Study

This is what has been done in the feasibility study:

- Performed Marketing, Supply & Demand studies.
- Indentified the sites Strength & Weaknesses.
- Identified potential roadblocks.
- Set up a model for project costs
- Set up a project timeline.
- Prepared a pro forma financial model with sensitivity analysis.

Risks & Opportunities

Major Risks identified include:

- Employment growth trends are lower than original projections.
- Substantial quantity of product recently brought to market with plenty more already in pipeline. Over 4 Million SF of office product set to deliver between now and 4th Qtr 2008.
- Increasing construction costs.
- Route 28 & Frying Pan Road intersection construction.
- Political party change could change economic drivers of region.
- Property immediately due north – Kettler owned – could be strong competition.

Opportunities identified include:

- Great visibility to major road.
- Proximity to airport.
- Development rights of up to 1.0 FAR.
- Frying Pan Road overpass and the extension of Park Center Road through Kettler owned property will eventually make the subject site more accessible.
- Revitalize the leasing effort of the existing building through a new program of the combined buildings.

Recommendation

We recommend based on the findings highlighted above and detailed in this prospectus a decision to move forward to only obtain the special exception to add a structured parking garage. However, we do not recommend any construction be commenced at this time due to the existing office development oversupply which will not be absorbed by immediate job growth for the next two years. The Gross Return on Cost for the DGC Phase II project alone is -1.25%.

Unless a significant pre-lease commitment or build-to-suit option is executed, construction of DGC – Phase II should be held off until market rents and construction costs are better aligned for a more profitable return.

II. DEVELOPMENT PROGRAM

This section provides the site development program.

Project Summary

Site Summary

Dulles Gateway Center (DGC) – Phase II will be developed upon land which is currently surface parking space supporting DGC – Phase I. The original Dulles Gateway Center site was divided into two tax lots of 12.4 acres (north) and 5.4 acres (south) in size. DGC Phase I, a 147,624 Gross Leasable SF Class A office building with surface parking was developed on the southern lot. The address of DGC -- Phase I is 13921 Park Center Road, Herndon, VA. The address for the future DGC – Phase II will be 13925 Park Center Road, Herndon, VA. The DGC – Phase II development will be a 140,616 SF Gross Leasable office building. Approximately half of the surface parking supporting DGC Phase I is on the second northern tax parcel. The majority of this northern lot is undeveloped and covered with grass and a few trees.

Site Location

The subject property is located in the Fairfax County (Virginia) Comprehensive Planning Area known as the Dulles Suburban Center. Running along the western side of the property is Route 28/Sully Road. This road runs north and south along the eastern border of the Dulles International Airport. The Dulles Toll Road is 1.5 miles to the north. The historic Reston Town Center is approximately 5 miles northeast. U.S. Route 50 is 2.75 miles to the south. U.S. Interstate 66 is 6.5 miles to the south. Washington, D.C., is approximately 20 miles east.

Site Zoning

The site is zoned I-5 (General Industrial District). The intended use of Office is permitted by right. However, "Parking, commercial off-street, as a principal use" is a Category 5 – Commercial and Industrial Uses of Special Impact, which will require a Special Exception from the Board of Supervisors. While the owner received Special Exception in 1996 for the purposes of this Practicum it is assumed the Special Exception has since expired. The site is currently grandfathered for up to 1.0 FAR. Parking Ratio

requirements are 2.6 per 1,000 SF. Further details on the sites zoning including the Watershed and Airport Port Noise Overlay district are provided in Section V.

Development Timeline Summary

The project process is assumed to begin with an Investment Committee decision by September 1, 2007.

Dulles Gateway Center -- Phase II
Development Timeline

Task	Start Date	Completion Date	Months for Task	Total Months
Beginning of Development Process: Pre-Application Meeting w/ Fairfax County Dep't of Planning & Zoning Staff (Dep't of Transportation and Land Use and Environmental Branches)	1-Sep-2007	30-Nov-2007	3	3
Special Exception Process	1-Dec-2007	30-Jun-2008	7	10
Approval of Site and Building Plans (Fairfax County)	1-Jul-2008	31-Mar-2009	9	19
Receipt of Building Permits	1-Jul-2008	31-Mar-2009	0	19
Permanent Loan Refinance on Dulles Gateway Phase I - Pullout Cash to fund construction of Parking Garage #1	1-Apr-2009	1-Apr-2009	0	19
Construction of Parking Garage #1	1-Apr-2009	31-Jul-2009	4	23
Close on Construction Loan for Dulles Gateway Phase II	1-Aug-2009	1-Aug-2009	0	23
Construction of Dulles Gateway Phase II	1-Aug-2009	31-Jul-2010	12	35
Begin Pre-Lease Marketing	1-Aug-2009		-	0
Final Inspection	1-Aug-2010	31-Aug-2010	1	36
Lease Up Period	1-Sep-2010	31-Jan-2012	18	54
Refinance / Permanent Loan	1-Sep-2012	1-Sep-2012	0	54

This project begins with approximately 3 months of pre-application meeting with the Fairfax County Departments of Planning and Zoning Staff. Specifically, the developer will meet with the county staff branches of transportation and land use. Since this project will require a Special Exception the timeline calls for 7 months per the Fairfax County estimate. Next, Site Plan and Building Plan applications will be filed concurrently to expedite the process. Another 9 months has been factored for this project step. Construction of the Parking Garage will be funded through the refinancing of Dulles Gateway Phase I. It is assumed by April 2009 the DGC Phase I will no longer be at the current August 2007 vacancy rate of 71%. We recognize a potential challenge to receive favorable refinancing terms if the building is below 90% occupancy. Prior to the 4 month Parking Garage construction, existing surface parking will need to be extended beyond the future DGC Phase II site to support the temporary displacement of parking spaces. By August 2009, the Parking Garage will be complete and users will now no longer have access to the surface parking where DGC Phase II will be built. They will use the new structured parking garage. Next, a construction loan will be secured. Pre-leasing activities and construction will commence. After 12 months of construction DGC – Phase II will be ready for county inspections and occupancy by tenants. The lease-up period has been estimated at 18 months. Upon lease up completion of 90% or higher projected for January 2012 the project will take out the construction loan with a permanent loan. It is understood if lease up does not meet standards for favorable

permanent loan financing either a pre-negotiated extension term of the construction loan will be used or an interim loan will be sought.

Development Goals

The goals of this development project are summarized below.

- Maximize the value of the currently vacant land.
- Create an investment grade Class A office product.
- Create an asset which matches the owner's long term investment strategies.
- Complement the Dulles Suburban Center Area Plan to build a high quality design which complements the Route 28 landscape.

Development Description

Type, Number and Style of Buildings

Up until now, the Dulles Gateway Center has been planned for the long term development of a 5 office building, 3 structured parking garage complex. As of August 2007, only one building has been erected with surrounding surface parking. The development program for Dulles Gateway Center - Phase II includes the construction of a second building which will connect structurally to Dulles Gateway Center - Phase I. As a revision to the original site plan instead of having 5 buildings the new plan will have just 4 buildings. The conceptual 5th building is a small one-story 7,000 SF building behind DGC Phase I which will be eliminated from the long-term development program. Replacing this building, the recommendation is to expand the original plate size of Parking Garage # 1 to gain an additional 110 parking spaces for a total of 542 parking spaces. Dulles Gateway Center Phase II will be a 6 story, Class A office building with approximately 24,000 SF floor plates. The facade of the building will be designed to provide a complementary look to the existing DGC Phase I building.

Dulles Gateway Center -- Original Concept Plan								
	Building					Parking		
	# 1	# 2	# 3	# 4	# 5	# 1	# 2	# 3
Type	2A Mod 2B	2A Mod 2B	2A Mod 2B	2A Mod 2B	2C	2C	2C	2C
# of Stories	6	6	6	6	1	5	5	5
Bldg Height	75	75	75	75	40	40	40	40
Bldg Footprint	57,575 SF	57,575 SF	57,575 SF	57,575 SF	6,954 SF	30,715 SF	62,677 SF	30,715 SF
Sprinklered	Yes	Yes	Yes	Yes	Yes	No	No	No
Bldg GFA	160,830 SF	157,193 SF	160,830 SF	157,193 SF	6,954 SF	152,000 SF	252,028 SF	152,100 SF
	Total Office Space:			643,000 SF		Total Garage Space:		556,128 SF

Dulles Gateway Center -- New Concept Plan								
	Building					Parking		
	# 1	# 2	# 3	# 4		# 1	# 2	# 3
Type	2A Mod 2B	2A Mod 2B	2A Mod 2B	2A Mod 2B		2C	2C	2C
# of Stories	6	6	6	6		5	5	5
Bldg Height	75	75	75	75		40	40	40
Bldg Footprint	57,575 SF	57,575 SF	57,575 SF	57,575 SF		37,715 SF	62,677 SF	30,715 SF
Sprinklered	Yes	Yes	Yes	Yes		No	No	No
Bldg GFA	160,830 SF	151,200 SF	160,830 SF	157,193 SF		189,000 SF	252,028 SF	152,100 SF
	Total Office Space:			630,053 SF		Total Garage Space:		593,128 SF

Construction Costs

The total construction costs for the base case scenario model are highlighted below. The land is currently owned by the developer. The land cost is being contributed as owner's equity in the construction loan. A comparable construction budget for a similar property was quoted at $325/psf which included a parking garage at a cost of $50/psf.

Summary of the development budget.

Type	Cost	Cost Per S.F.	% of Total
Land Costs	$ 3,833,280	$ 27.26	10.08%
Hard Costs	$ 27,177,537	$ 193.27	71.47%
Soft Costs	$ 5,010,275	$ 35.63	13.18%
Interest Costs	$ 3,520,155	$ 25.03	9.26%
Total Cost	$ 39,541,248	$ 281.20	103.99%
Income During Construction & Lease Up Period	$ (1,516,636)	$ (10.79)	-3.99%
Total Net Project Costs	$ 38,024,612	$ 270.41	100.00%

Financial Summary

The DGC -- Phase II development has been modeled with and without the currently owned land being included as a budget cost. Despite the advantage of already owning the land, projected returns with consideration of market risk of current office space oversupply do not satisfy investor criteria to move forward with construction. This is the case whether the land value is or is not factored into the budget. When including land value into the budget the Return on Cost is -1.25%, and unlevered and leveraged 10 year IRR is 10.09% and 10.85% respectively. The same returns modeled to not include the market value of the land into the construction budget is a Return on Cost at 11.54%

unlevered and leveraged 10 year IRR at 11.48% and 14.76% respectively. Again, these returns are based on an 18 month lease up period which given today's current market conditions could still be quite risky even if the leasing program doesn't begin until 3rd quarter 2010. Provided below is a chart with details of returns:

INVESTMENT ANALYSIS	LAND COST INCLUDED		LAND COST EXCLUDED	
DEVELOPMENT PROFIT	AMOUNT	G.L.A. P.S.F.	AMOUNT	G.L.A. P.S.F.
CAPITALIZED VALUE	$38,314,329	$272.47	$38,314,329	$272.47
Less: Total Project Cost	(38,024,612)	($270.41)	(33,664,251)	($239.41)
Total Sales Costs (2.0%)	(766,287)	($5.45)	(766,287)	($5.45)
GROSS DEVELOPMENT PROFIT	($476,570)	($3.39)	$3,883,791	$27.62
RETURN ON COST ANALYSIS	AMOUNT	G.L.A. P.S.F.	AMOUNT	G.L.A. P.S.F.
GROSS DEVELOPMENT PROFIT	($476,570)	($3.39)	$3,883,791	$27.62
TOTAL NET PROJECT COST	$38,024,612	$270.41	$33,664,251	$239.41
GROSS RETURN ON COST	-1.25%		11.54%	
RETURN ON INVESTMENT ANALYSIS	AMOUNT	G.L.A. P.S.F.	AMOUNT	G.L.A. P.S.F.
CASH FLOW AFTER DEBT SERVICE	$498,848	$3.55	$498,848	$3.55
EQUITY INVESTMENT	$7,908,250	$56.24	$7,036,177	$50.04
RETURN ON INVESTMENT	6.31%		7.09%	
Internal Rate of Return (Unlevered)	AMOUNT	G.L.A. P.S.F.	AMOUNT	G.L.A. P.S.F.
TWO YEAR (Based on a 7% Cap Rate)	7.64%		10.93%	
TEN YEAR (Based on a 7% Cap Rate)	10.09%		11.48%	
Internal Rate of Return (Leveraged)	AMOUNT	G.L.A. P.S.F.	AMOUNT	G.L.A. P.S.F.
TWO YEAR (Based on a 7% Cap Rate)	9.11%		20.84%	
TEN YEAR (Based on a 7% Cap Rate)	10.85%		14.76%	

The financial returns modeled in this Feasibility Study are guided upon the land owners approach to long term asset investment holding strategies. The ownership is a closely held private concern which prefers to retain ownership control and management.*

The marketplace provides alternative investment strategies such as opportunistic approaches where a developer builds an asset with the intent to sell upon lease-up and enough seasoning of the leases a few years in to attract institutional investors. Another approach is to form joint ventures up front to leverage different core competencies skills, risk tolerance levels, and access to equity capital. Given the present land owners investment approach these other investment and partnership models have not been considered.

* More information on the firm may be found at their website: http://www.peterlawrence.com

The project will be funded through ownership equity and Construction and Permanent Loans. The firm has two advantages when it comes to Construction Loan financing. One advantage is the firm's long held fee simple ownership interest in the vacant land. A local lender at Commerce Bank advised the ownership could opt to use the land value as their equity contribution towards the construction budget. This alone could reduce the out-of-pocket 20% equity contribution from $7.9M to $4.1M. The second advantage the firm could explore is internally funding a significant share of the construction loan. This is contingent upon the firm's liquidity and risk level. The Construction Loan interest over the 12 month construction period and 18 month lease up period totals $3.5M. This savings could increase the investors Return on Cost from -1.25% to 8.82%

Provided below are details and terms of the proposed Construction and Permanent Loans.

CONSTRUCTION LOAN	
LOAN FUND DATE	Dec-2009
LOAN PER SQ. FT.	$224.96
LOAN AMOUNT	$31,632,998
LOAN TO COST RATIO	80.00%
LOAN TO VALUE RATIO	82.56%
EQUITY PORTION	20.00%
FINANCED PORTION	80.00%
INTEREST RATE	(30 Day LIBOR + Spread)
30 Day LIBOR	5.80%
Spread	1.75%
INTEREST RATE	7.55%
PLACEMENT FEES	N/A
LOAN TERM (months)	30

PERMANENT LOAN	
LOAN FUND DATE	Jan-2012
LOAN PER SQ. FT.	$190.73
LOAN AMOUNT	$26,820,030
LOAN TO COST RATIO	67.83%
LOAN TO VALUE RATIO	70.00%
EQUITY PORTION	30.00%
FINANCED PORTION	70.00%
INTEREST RATE	(10yr Treasury + Spread)
10yr Treasury	4.75%
Spread	1.80%
INTEREST RATE	6.55%
PLACEMENT FEES	Assumed 50bps funded within Construction budget
LOAN AMORT (years)	25
COVERAGE FACTOR	1.23
PERM LOAN PROCEEDS	($4,290,415)
VALUATION CAP RATE	7.00%

Market Summary

Overall Market Employment Growth Trends

Fairfax County, Virginia continues to provide long term strong growth indicators. The Fairfax County market demonstrates strong positive growth through its continued ability to attract high-income, well educated individuals with great job opportunities driven by the demands of the U.S. Federal government. These same individuals continue to provide the economic base to support the continued absorption of office space as

employees look to work within close proximity of where they reside. Another potential long term economic driver is the two-phase extension of the mass transportation Dulles Metrorail.

Fairfax County, Virginia, per the 2000 U.S. Census Bureau SF 1 report has a population of 969,749. The unemployment rate is strikingly low at 2.7% per the U.S. Bureau of Labor Statistics. This may be compared to other major employment areas such as Boston at 5% or Los Angeles at 7% [i]

The 2006 3rd Quarter Virginia Employment Commission List of the 50 Largest Employers in Fairfax County include such notable public and private institutions, government agencies, and firms such as the Fairfax County Public Schools, County of Fairfax, Inova Fairfax Hospital, Booz, Allen and Hamilton, US Department of Defense, SAIC, FHLM, George Mason University, Lockheed Martin, SCS, IBM, Nextel, Raytheon, Northrop Grumman, EDS, Target, ExxonMobil, PWC. [ii]

Other major employers within the Fairfax County Dulles Corridor include: AT&T, BAE Systems, Cisco Systems, Computer Associates, Deltek, EDS, EWA, Equant, Federal Express, NRTC, Northrop Grumman, Perot Systems, Sprint, Time Warner and Verisign.[iii]

We obtained employment projections from the Metropolitan Washington Council of Governments (MWCOG) Fall 2006 report titled, "Growth Trends to 2030: Cooperative Forecasting in the Washington Region." This report included a chart called "Summary of Intermediate Employment Forecasts Round 7.0a Cooperative Forecasts". The report estimated 2005 "intermediate" employee totals for Fairfax County at 600,500 employees. And, for 2010 and 2015, employee forecast numbers of 683,900 and 729,600 respectively. Of interest, MWCOG estimates in 2005 the District of Columbia with 744,800 employees to have 24% more employees than Fairfax County. However, by 2030, D.C. is projected to have 859,100 employees and Fairfax County 844,600. By 2030, D.C. will only have 2% more employees than Fairfax County. This shows a significant gap closing between the two largest jurisdictions within the greater metropolitan Washington, D.C., area when measured by employment numbers. [iv]

Stephen S. Fuller, Ph.D., of George Mason University published a study in August 2004 "The Evolution and Future Structure of the Fairfax County Economy". Two key findings from Dr. Fuller's study include 1) A forecast of 474,100 new jobs will be created between 2000 and 2020 and 2) while the population of the county is projected to increase by 35% during this period the job base will by 63%. This second economic indicator is especially of interest because it suggests when looking to demand studies for office product an evaluation should include a scope greater than the immediate surrounding area of the Dulles Gateway Center – Phase II site.[v]

Office Market and Competitive Set

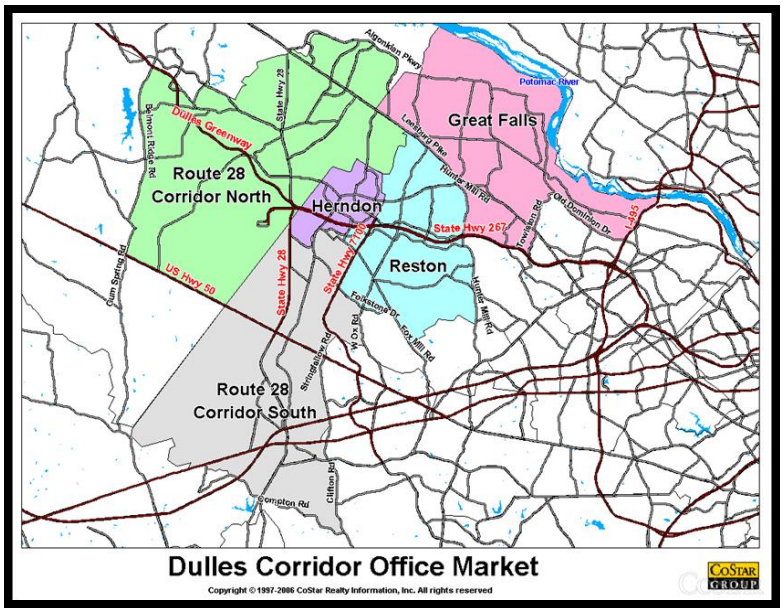
Vacancy:

The Northern Virginia office market has seen a tremendous amount of recent development. As 4.4 Million SF of office space is currently scheduled to deliver by year end 2007 for the overall Northern Virginia with only 33% committed there is reason to be concerned by many industry observers. While Fairfax County as a whole has an 8.91% vacancy rate, Route 28 South leads the county with a 13.33% submarket vacancy rate.[vi] And, according to data abstracted from CoStar, reducing the scope from Northern Virginia to just the Dulles Corridor, this market alone is set to deliver 4.37 Million SF between now and year end 2008. The Dulles Gateway Center is located in the Route 28 Corridor South submarket. This just so happens to be in the Dulles Corridor submarket with the greatest vacancy challenge at 20.2%.

See the charts directly below which include a Dulles Corridor market map. This data has been compiled from the CoStar database.

Dulles Corridor: Buildings -- Existing			
SubMarket	Rentable Building Area	Total Available Space (SF)	Vacany Rate
Great Falls	198,187	1,350	0.7%
Herndon	11,066,343	1,440,761	13.0%
Reston	17,144,729	2,369,255	13.8%
Route 28 Corridor North	7,806,970	1,286,880	16.5%
Route 28 Corridor South	11,000,619	2,219,306	20.2%
Total for Dulles Corridor	47,216,848	7,317,552	15.5%

Dulles Corridor: Buildings -- Under Construction through 2008			
SubMarket	Rentable Building Area	Total Available Space (SF)	Pre-Leased
Great Falls	-	-	0.0%
Herndon	1,476,397	1,446,023	2.1%
Reston	1,231,712	951,855	22.7%
Route 28 Corridor North	466,510	466,510	0.0%
Route 28 Corridor South	1,203,868	792,734	34.2%
Total for Dulles Corridor	4,378,487	3,657,122	16.5%



The following data of proposed construction within the Dulles Corridor has been abstracted from CoStar. While given much of this proposed development will not likely be committed any time soon given current market conditions it is important to note the pure scale of development potential already available. The Dulles Gateway Center faces a long term challenge in the fact the property is surrounded by a market with plenty of vacant land ready for development. While the value of the land will likely increase over the long term, given there is still much undeveloped land within the marketplace the property will not likely see the competitive market fundamentals for land which may be found in the urban downtown core of Washington, D.C.

Dulles Corridor: Buildings -- Proposed	
SubMarket	Rentable Building Area
Great Falls	-
Herndon	4,072,056
Reston	3,234,974
Route 28 Corridor North	8,175,277
Route 28 Corridor Sourth	8,714,290
Total for Dulles Corridor	24,196,597

Rental rates:

Rental rate and TI packages vary widely, even within the same office product class A. The asking rent rates and TI packages are sometimes nothing more than a marketing ploy where higher rents equals greater tenant improvement allowances and lower rent rates simply mean less tenant improvement allowances. However, another key differentiator in rental rates often comes down to office location and the on-site or nearby amenities. An existing 10 year old Class A project such as Dulles Gateway Center Phase I is asking for $27.50 psf for annual rent with 3% annual increases with $15 to $30 TI allowances on relet space. Newer office product with 97% occupancy such as Monument III at Worldgate is asking $37 psf with negotiable tenant improvement packages.

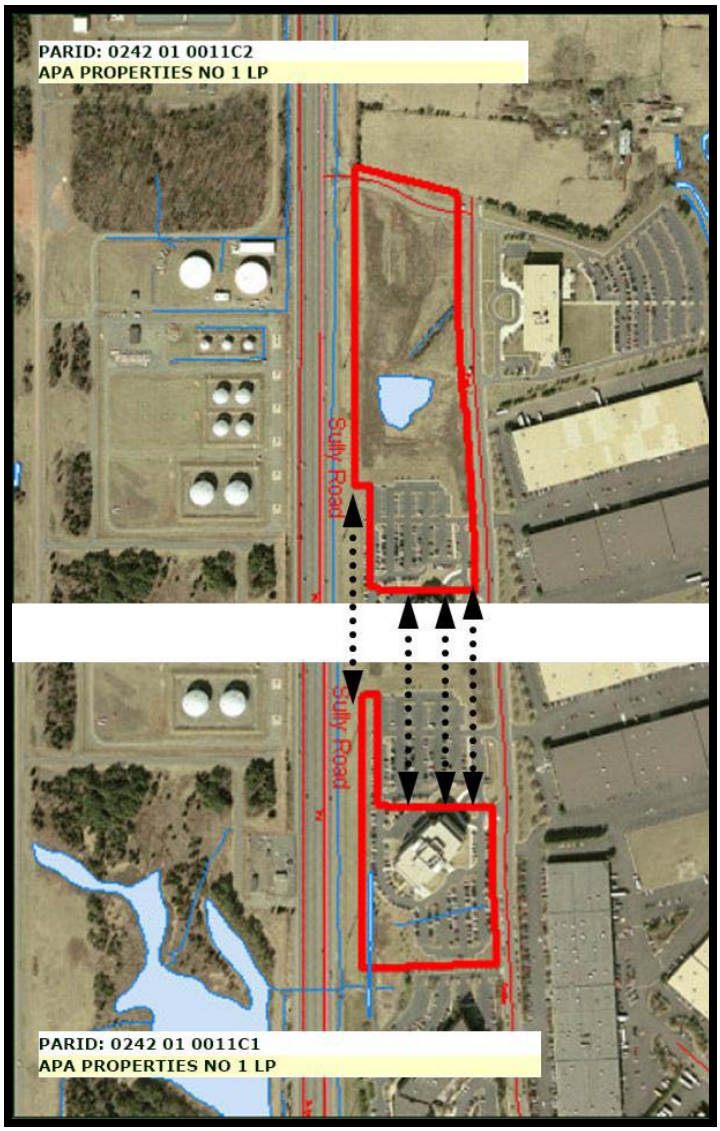
Recent Sales:

Located only ½ mile south of Dulles Gateway Center, Lincoln Park III at Dulles International Center, a 203,000 SF office building delivered 2nd Quarter 2007 recently sold while 100% vacant built to shell for $47M. This represents a sales price of $231.53 psf. However, one must factor a market which is currently demanding up to $60 psf in TI allowance and $32.50 psf asking rent full service. The aforementioned Monument III sold in April 2007 for $55M at $285/psf.[vii] Additional office sales are provided in Section IV Market Analysis.

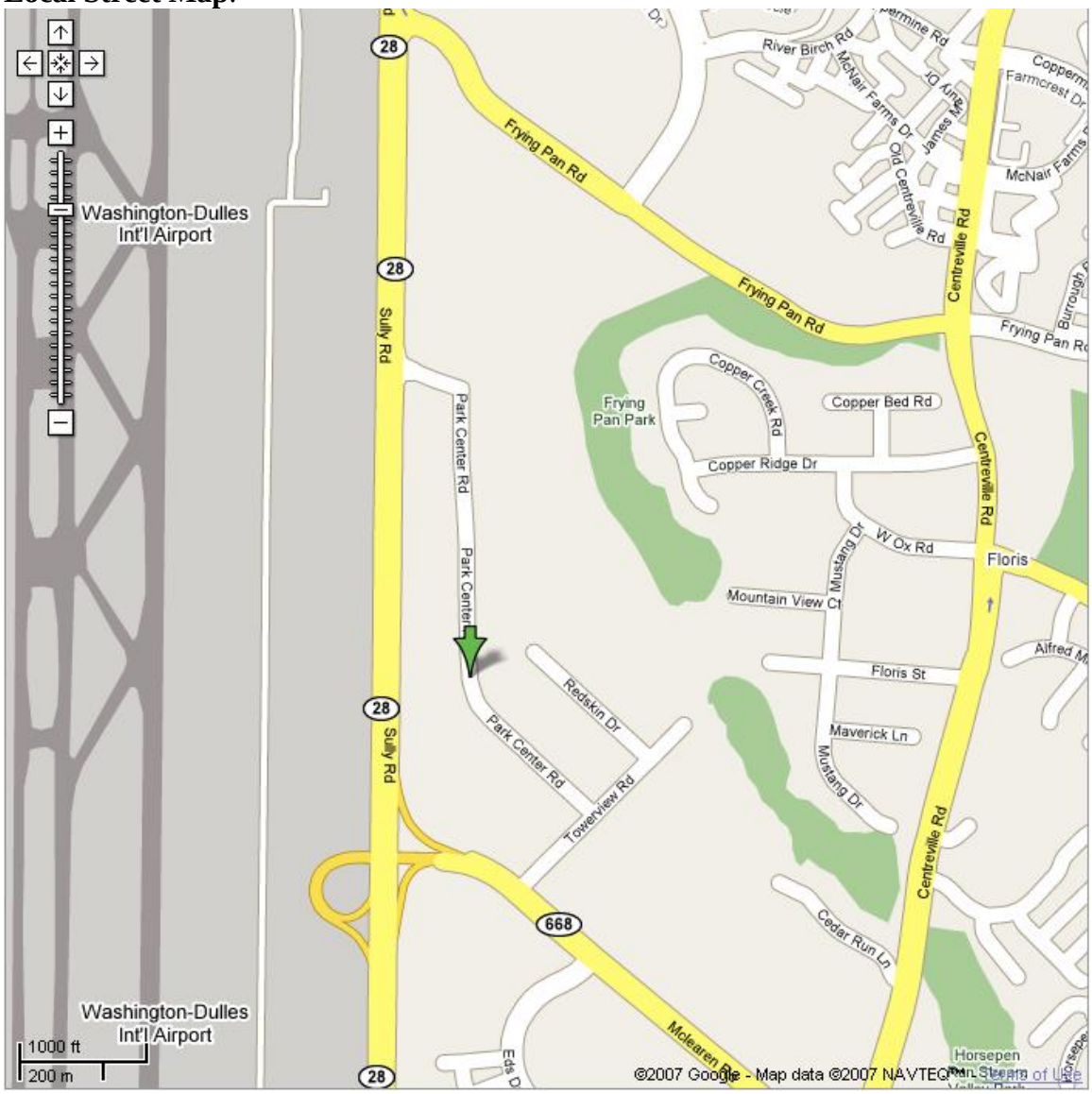
III. SITE AND PROPERTY DESCRIPTION

The following section provides an overview of the existing site and property.

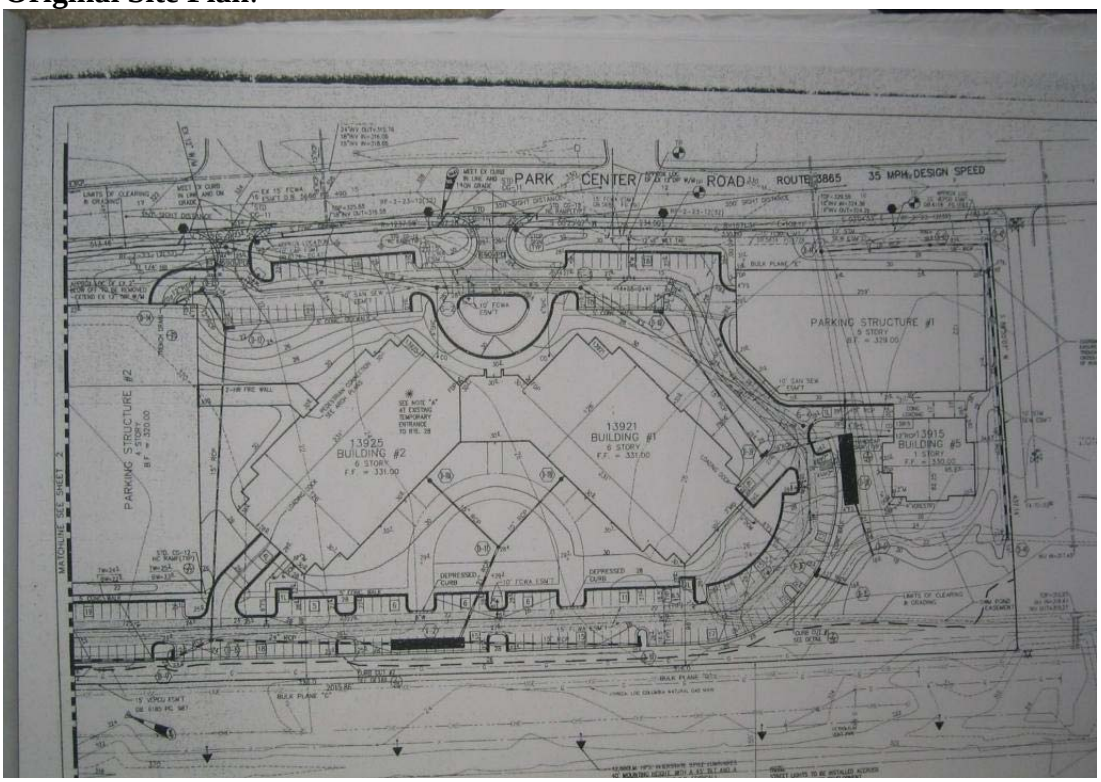
Tax Map:
Parcel ID # 0242 01 0011C2 and C1 are shown below. The black dotted line arrows represent the overlap area in the two pictures. These two parcels are directly next to each other. The office building on Parcel C1 is the Dulles Gateway Center – Phase I.



Local Street Map:



Original Site Plan:



Site Aerial:

Location Views:

Dulles Gateway Center – Phase I viewed from the north.

Dulles Gateway Center – Phase I viewed from the southeast.

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View of Dulles Corner development projects with construction cranes. This picture was taken from the top left (northwest) corner of the Dulles Gateway Center property by the Right-In, Right Out access point of Park Center Road onto Route 28/Sully Road.

View looking southward at the Dulles Gateway Center from the northwestern most corner of the property by the Right-In, Right Out access point of Park Center Road onto Route 28/Sully Road.

View of the barrier wall hiding the sight of the airport fuel tanks across the street of Route 28/Sully Road. These oil tanks are more readily seen from office spaces above the second floor.

The power line close up with Dulles Gateway in the distance.

This is the vacant land where future expansion phases of the Dulles Gateway Center can be supported.

MICRO CHARACTERISTICS

History of Site

The Dulles Gateway Center was original part of a larger 45 acre plot of land owned by GT Warehousing Inc. and GT Renaissance Park Centre, LP. This industrial park was formerly known as Dulles Industrial Aerospace Park. The Dulles Gateway Center property owned by APA Properties was most recently subdivided into Parcel #'s 0242 01 0011C1 and 0242 01 0011C2.

Existing Site Conditions

The subject property is relatively flat. Preliminary studies by engineers suggested building Dulles Gateway Center -- Phase II may require additional site work to install utilities due to low bedrock in the area. Also, a soil survey and foundation design recommendation was performed by ECS, Job No. 3741 on April 12, 1996. Of note in this report is the concern of pockets of high plasticity soils where Parking Garage # 1 would be located. The site is made up of Calverton silt loam and Readington soil. More information on these soils is available in Section VI

Physical Characteristics of the Land

We describe the subject property by including both tax lots. Currently, approximately 40% of the land has been developed with surface parking and the DGC Phase I improvement. These improvements are predominantly on the southernmost tax lot. The northern tax lot includes some of the surface parking supporting DGC Phase I. The northern lot also has a sediment trap, storm water detention and a small pond. The remainder of the property is mostly vacant land with grass, small shrubbery, and a few trees which have grown over the past ten years. At the very north end of the property a temporary public access easement which is a road extension of Park Center Road to create a right-in, right-out access road to Sully Road. Along the western side of the property is Route 28/Sully Road. Between the highway and the property is a Dominion Power (f/k/a, VEPCO) power line. Across Route 28/Sully Road is the Dulles International Airport. See property pictures in the section above for reference.

Ingress & Egress

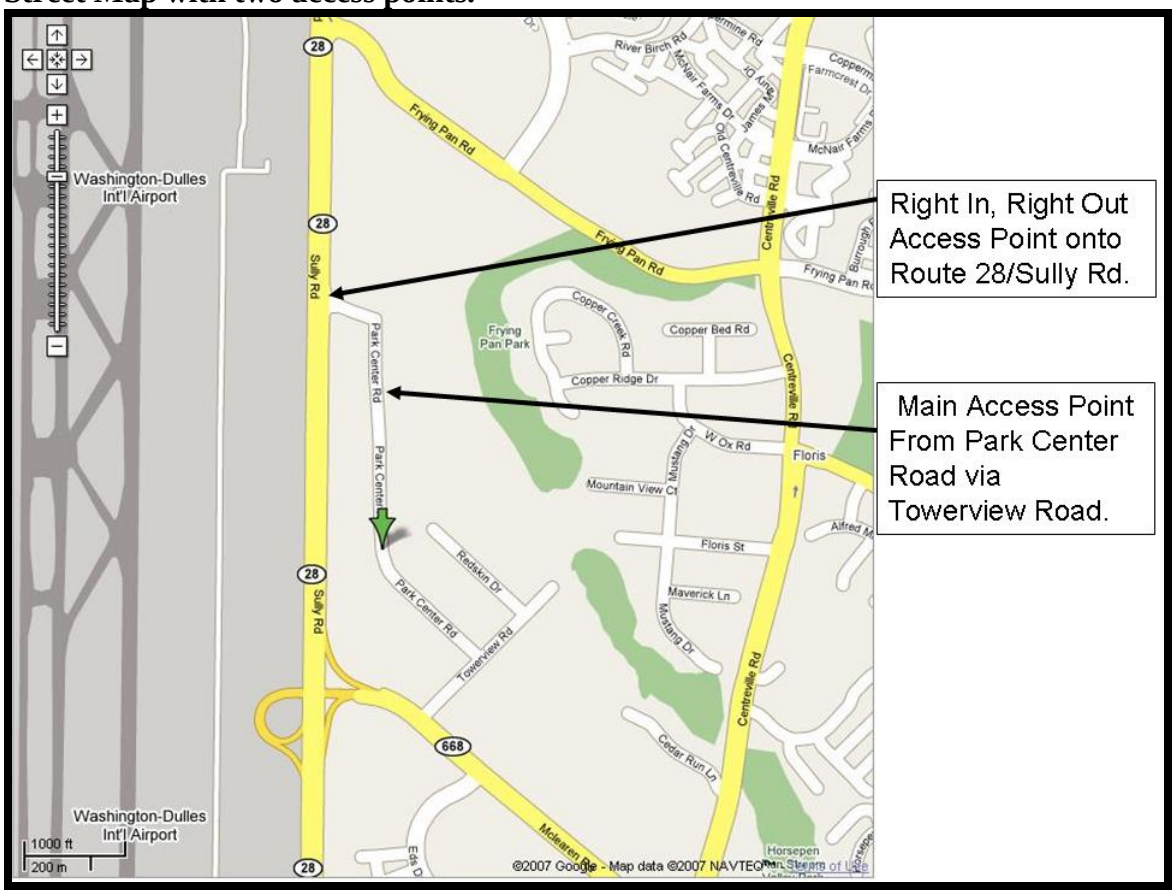
See street map below for reference purposes.

The property may be entered by two access points. At the north end of the property, a right-in, right-out from Route 28/Sully Road Northbound is available directly onto Park Center Road. This is a temporary public access easement which is further detailed in the next section “Future Road Extension”. As an egress point heading north from this right-in, right out access point onto Route 28 is the Dulles Toll Road within 1.4 miles.

The second way to access the site is from the south along Park Center Road. Access to the site from the Park Center Road southern approach is a connection to Towerview Road less than a ½ mile down the road. Less than a ¼ of a mile from this intersection is County Road # 688, better known as McLearen Road. Heading west on McLearen Road for ¼ of a mile will provide access to the McLearen Road and Route 28 N/S overpass interchange. Heading south from this interchange along Route 28 is Route 50 approximately 2.4 miles. Another 3.8 miles further south along Route 28 is Interstate

Highway 66. Heading east on McLearen Road for 0.6 of a mile will provide access to Centreville Road. Two miles east from the McLearen and Towerview Road intersection is the Fairfax County Parkway.

Street Map with two access points.



Future Extension of Park Center Road

The subject site is situated between Route 28/Sully Road and Park Center Road. The existing building and future developments have been assigned Park Center Road addresses. Park Center Road has two extensions planned within the Fairfax County Transportation Plan for the Dulles Suburban Center. The concept is to make Park Center Road a 4 lane collector street. This would also make Park Center Road an alternative street for north-south traffic flow instead of using either Route 28/Sully Road (to the west) and Centreville Road (to the east). The extension of Park Center Road on the southern end would extend past Towerview Road and continue on to create an intersection with EDS Road. The northern extension is of more value to Dulles Gateway Center. Today, Park Center Road ends for all practical purposes along the north side of Dulles Gateway Center at the Middleton Farm property line. A temporary access agreement was created between Park Center Road and Route 28/Sully Road. This agreement was made on May 22, 1985, amongst the prior owners of Dulles Gateway

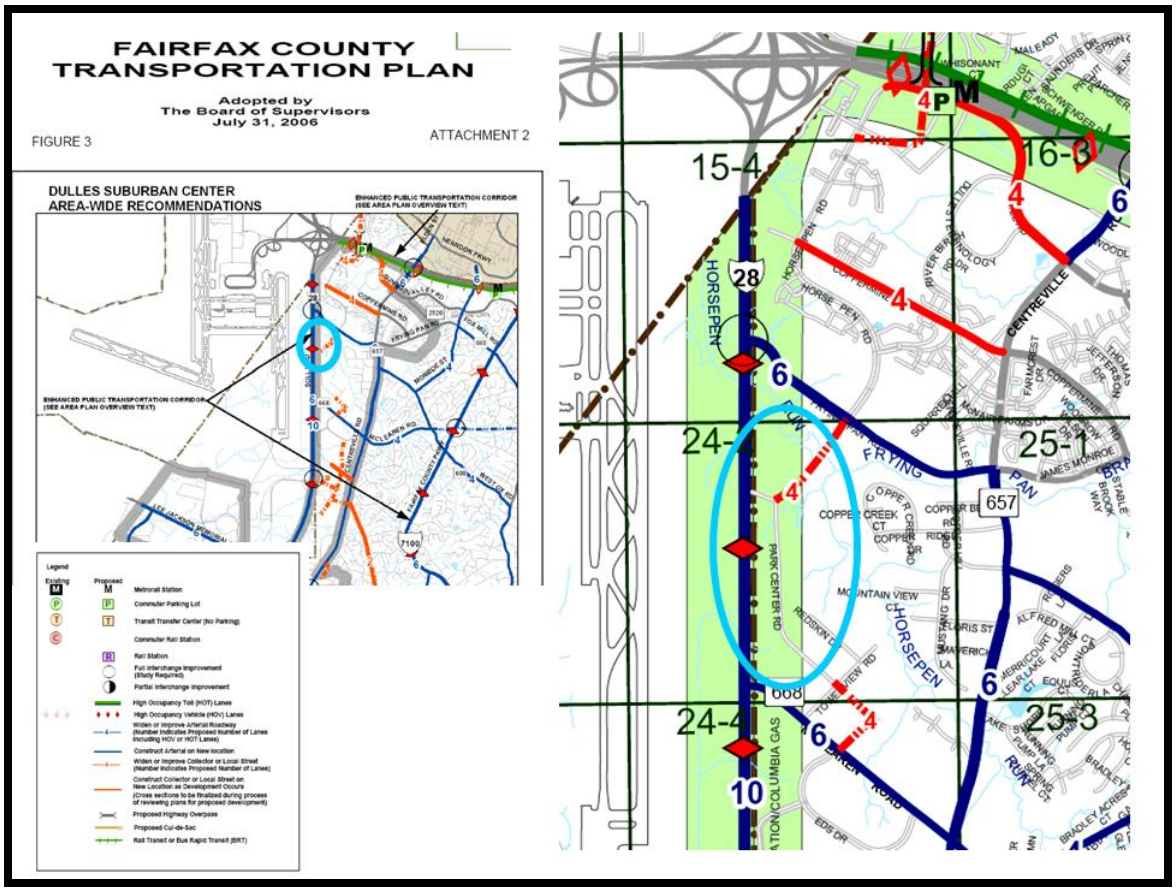
Center (GT Warehousing/GT Renaissance Park) and the Fairfax County Board of Supervisors, Washington Airports FAA, and VDOT [viii] The agreement stipulates the Park Center Road right-in, right-out to Route 28/Sully Road will remain until the extension northward of Park Center Road up through Middleton Farm to the intersection of Frying Pan Road. The location of this intersection of the future Park Center Road extension and Frying Pan Road would be positioned by the current intersection of Frying Pan Road and Sunrise Valley Drive (formerly known as Horse Pen Road). A recent Proposed Comprehensive Plan Amendment (Item: S06-III-UP1 – November 22, 2006) and Rezoning Application and Final Development Plan (RZ/FDP 2000-MD-020) provided the following insight to the level of Fairfax County interest to having Park Center Road extended:

"*The proposed development could result in the provision of an important road improvement that has been planned for this area, the north-south connector road between Park Center Road and Sunrise Valley Drive. In the future, this road would be part of a system of connecting roads which would provide internal north-south circulation between the new Route 28 interchange near Barnsfield Road north to the future rail station on the Dulles Access Road. The completed road system would provide an alternative to Centreville Road and Route 28 for some local trips. As a result, this major road connection may improve levels of service in the immediately surrounding road network.*"[ix]

Despite the county and the developer, Kettler (f.k.a. as KSI) mutual interest in developing the Middleton Farm land at this time citizen concern has curtailed progress. A conversation with Kettler's Bill Fennell provided insight to the potential challenges a developer may face when attempting to build real estate projects. Much of Bill Fennell's comments were in synch with an article following Kettler's indefinite deferral:

"*A form of Kettler's proposal for the Middleton Farm property has been indefinitely deferred three times since 2004, but the firm plans to return to the drawing board to address concerns about the plan, according to Janice Navarro-Chan, Kettler's director of multifamily development. The county's Planning Commission approved the amendment proposal in December. But Kettler asked for a deferral after it heard the Board of Supervisors would not approve the plan because Hunter Mill residents living around the property thought it would isolate homes, according to Navarro-Chan. "We decided it would be better to hold off at this time and explore other options that would be more welcomed," she said. The proposal, especially the age-restricted component, would decrease the impact on roads and surrounding schools, supporters of the plan have argued. But Supervisor Cathy Hudgins (D-Hunter Mill) said her constituents worried the small piece in the Hunter Mill District that Kettler wanted to designate as parkland would have isolated single-family development east of there, Hudgins said*."[x]

The blue highlight in the chart below identifies the 4-lane connector road going through Middleton Farm envisioned by the Fairfax County Transportation Plan.



MACRO CHARACTERISTICS

Surrounding Property Uses

The Dulles Gateway Center – Phase II site is located at 13925 Park Center Road, Herndon, VA. The following chart provides a list of the surrounding property uses around the Dulles Gateway Center.

Property Uses Immediately Surrounding Subject									
Direction from Dulles Gateway Center	Property Name	Owner	Use	Zoning	Land		Gross Floor Area SF	Street Address	Fairfax County Parcel ID #
					SF	Acres			
North	Middleton Farm	Kettler (KSI) -- Horsepen Run LLC	Vacant	R-1	2,877,884	66.1	0	13801 Frying Pan Rd.	0242 01 0001
Northeast	NEC America Bldg	CRP Holdings A-1, LLC	Office	I-5	575,310	13.2	109,269	14040 Park Center Rd.	0242 01 0011A
East	Renaissance Park Bldg's 5,6,8,9	(OTR) State Teachers' Retirement System of Ohio	Industrial	I-5	1,996,115	45.8	613,936	13850 - 14002 Park Center Rd.	0242 01 0012A
South	Hallmark Building	Brit-Hallmark, LLC -- BECO Management, Inc.	Office	I-5	351,535	8.1	325,136	13873 Park Center Rd.	0242 01 0022E
South	Dulles Hilton	Dulles Hotel Corp	Hotel	I-5	542,956	12.5	452,565	13871 Park Center Rd.	0242 01 0022D
West	Dulles Int'l Airport	US Gov't	Airport		515.3M	11,830		1 Saarinen Circle, Dulle	
Subject Property	Dulles Gateway Center	APA PROPERTIES NO 1 LP	Office	I-5	239,364	5.5	157,327	13921 Park Center Rd.	0242 01 0011C1
	Dulles Gateway Center	APA PROPERTIES NO 1 LP	Vacant	I-5	538,644	12.4	0	13925 Park Center Rd.	0242 01 0011C2

West:

Directly across from the Dulles Gateway Center site is Route 28/Sully Road. Across the Route 28/Sully Road highway is the Dulles International Airport.

North:

Directly north of the property is a predominantly undeveloped 66.1 acre lot. This property is owned by Kettler (f/k/a as KSI). Another 9 acres is believed to be under an option for a total of approximately 75 acres. As noted above in Section III., Future Extension of Park Center Road, Kettler plans to develop this site into a multi-use project with approximately 500,000 SF of office; 7,000 SF of retail, a 100,000+ SF hotel, and 500 units of mid-rise multifamily housing. The Middletown Farm property borders Route 28/Sully Road on the west side and Frying Pan Road on the north side.

Further North:

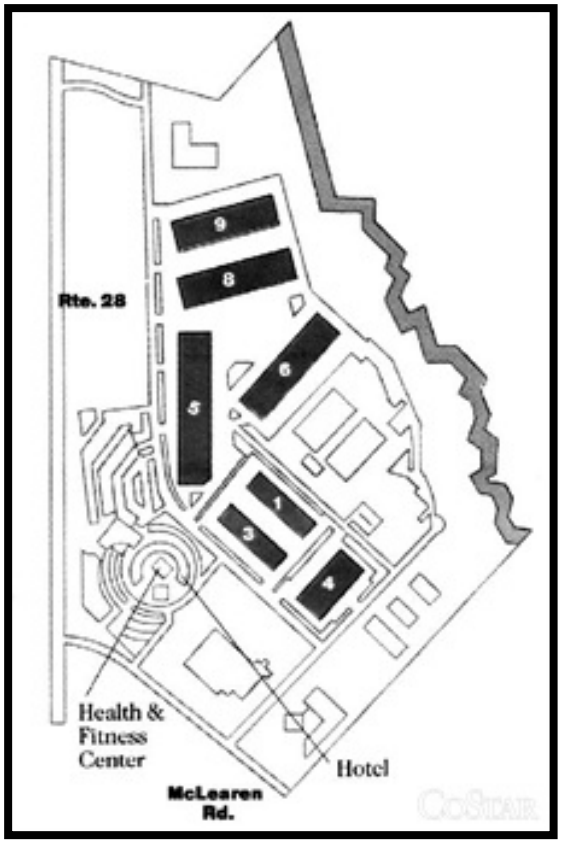
Of note, significant mixed use development activity is underway directly north of Frying Pan Road. Two master planned communities include Dulles Corner and Dulles Station. Greater detail on the office developments in these two communities which will provide competition for Dulles Gateway Center – Phase I & II is provided in Section IV Market Analysis/Competitive Project Profiles.

Northeast:

Colony Realty Partners based out of Boston, MA, owns the NEC America, Inc. building located at 14040 Park Center Road.

East:

Directly east of Dulles Gateway Center is Renaissance Park at Dulles. A marketing piece from CoStar describes the site as a 170-acre, master-planned business park adjacent to Washington Dulles International Airport in Fairfax County, VA. Seven industrial buildings in an attractive landscaped setting provide a total of more than 830,000 sf of space suitable for a variety of distribution, warehouse and flex/R&D uses. Each of the industrial buildings is fully sprinkle red, energy efficient and attractively finished with glass and brick facades. The buildings are uniquely equipped with dual-sided loading (drive-in and loading docks) and are considered to be among the most functional and desirable along the Dulles corridor. Additional design features such as 20' ceiling heights, enhanced electrical service and bay sizes from 5,000 to 8,000 sf permit flexible customizing to meet a broad range of user requirements up to 100,000 sf.[xi]



South:

Directly to the south, Dulles Gateway Center – Phase I. This 150,000 SF, Class A six story office building, was built in 1998 by the same owner of our proposed subject Dulles Gateway Center – Phase II project.

Further South:

Directly past the Dulles Gateway Center – Phase I building is the Hallmark Building owned by BECO Management. This 325,000 SF office building competes with Dulles Gateway Center – Phase I for tenants with similar rent terms. Directly past the Hallmark Building is the Dulles Hilton.

Transportation Network

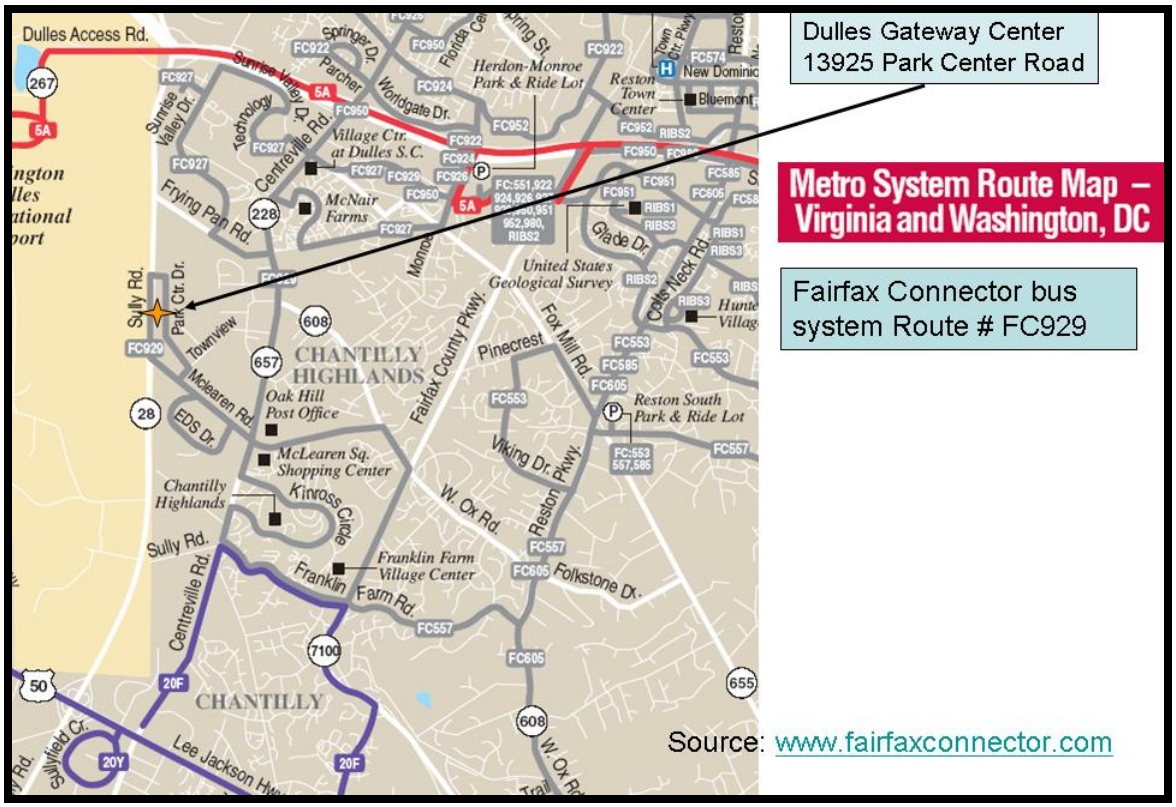
The subject property is well located with access to major roads, an international airport, bus system, and the future Metro Rail.

Airport:
The site is positioned along Route 28 right next to Dulles International Airport. This is a major airport which serves over 27 million passengers a year. The airport opened on November 17, 1962. The airport has 128 Airline Gates. 10 domestic and 21 international airlines serve the airport with 120 destinations (39 international).[xii] A nearly $4 billion dollar construction program began in 2000 to meet future passenger demand. Major projects include two new parking garages, a fourth runway, a new concourse, a new Air Traffic Control tower, pedestrian walkways and an airport train system. This project is called the Dulles Development program, or D2.[xiii] The two other major airports closest to the subject site are the Ronald Reagan Airport (DCA) located approximately 30 miles east and the Baltimore Washington International Airport (BWI) approximately 57 miles northeast.

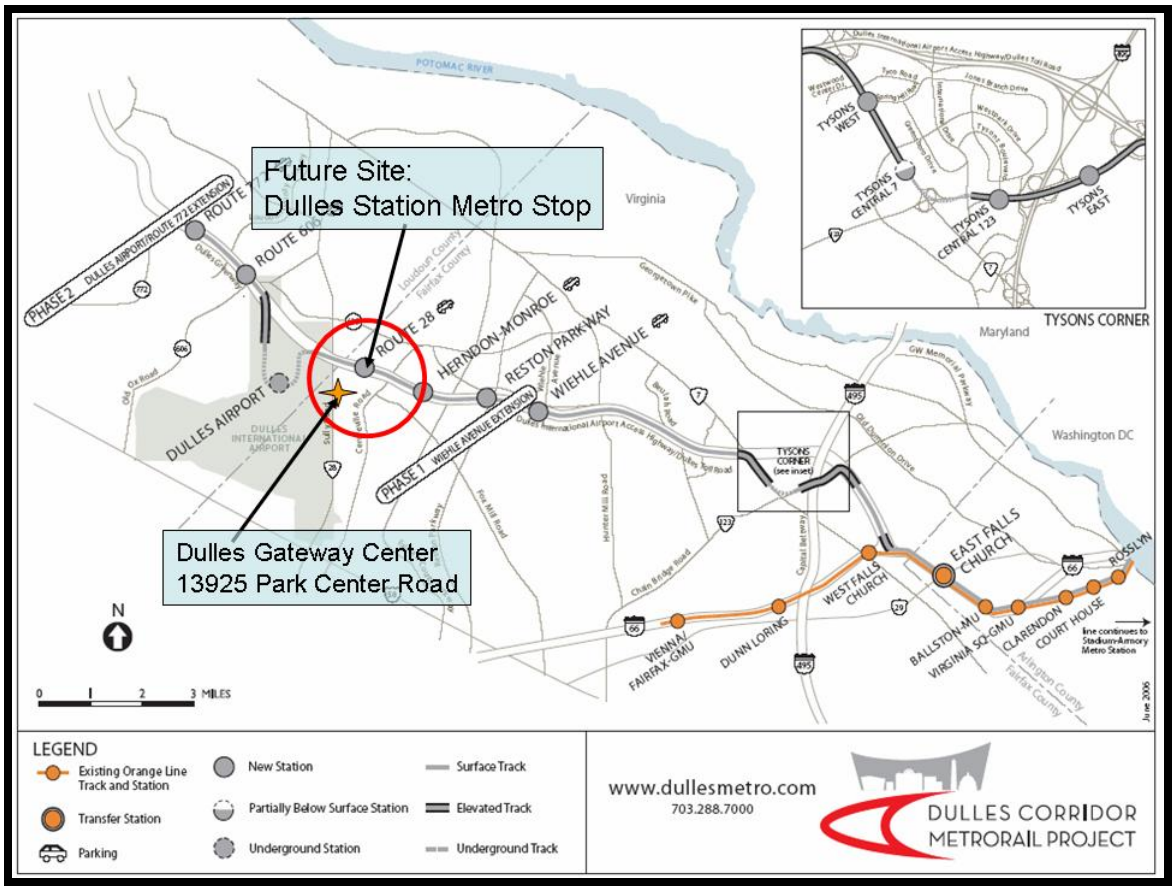
Automobile/Roadways:
The subject site is accessible from many major roadways. The Dulles Toll Road is 1.5 miles to the north. U.S. Route 50 (aka Lee Jackson Memorial Highway and John Mosby Highway) is 2.75 miles to the south. U.S. Interstate 66 is 6.5 miles to the south.

Route 28, also known as Sully Road, has an Average Daily Volume of commuters of 87,000.[xiv] See the appendix for an excerpt from the Fairfax County Economic Development Authority -- February 2007 report on Western Fairfax County which includes a chart from the Virginia Department of Transportation with traffic counts around the Dulles Corridor.

Bus:
The site is served by the Fairfax Connector bus system Route # FC929. This is a Monday to Friday weekday commuter route with service from 5am to 8pm. A full schedule is available in the Appendix.[xv]



Metro Rail:
Dulles Gateway Center is located within 2 miles of the future Dulles Corridor Metro Rail Phase II extension. The project schedule currently has the station opening up in 2015. The nearest station stop will be the Dulles Station (see map below). Construction on the first phase of the Metrorail is expected to begin in 2007. Phase one will branch off the Orange Line just beyond the East Falls Church Station, goes through Tysons Corner (4 stops) to Wiehle Avenue (1 stop) in Reston. It is scheduled to be completed by 2013. Phase 2 construction is likely to begin in 2010. Phase 2 will extend the Metrorail from Reston and Herndon to Dulles International Airport and into eastern Loudoun County. It is scheduled to be completed by 2015.[xvi] The projected 2015 ridership will be 83,200 per day[xvii] While the overall Northern Virginia market will gain economic benefit and increased employment potential through the Metro Rail extension it is unknown at this time how significantly this new transportation option would directly increase occupancy rates at our site from 2015 and beyond.



Walking/Bicycle:
The option to commute to the site via the Route 28 highway is not conducive by either walking or bicycling

.

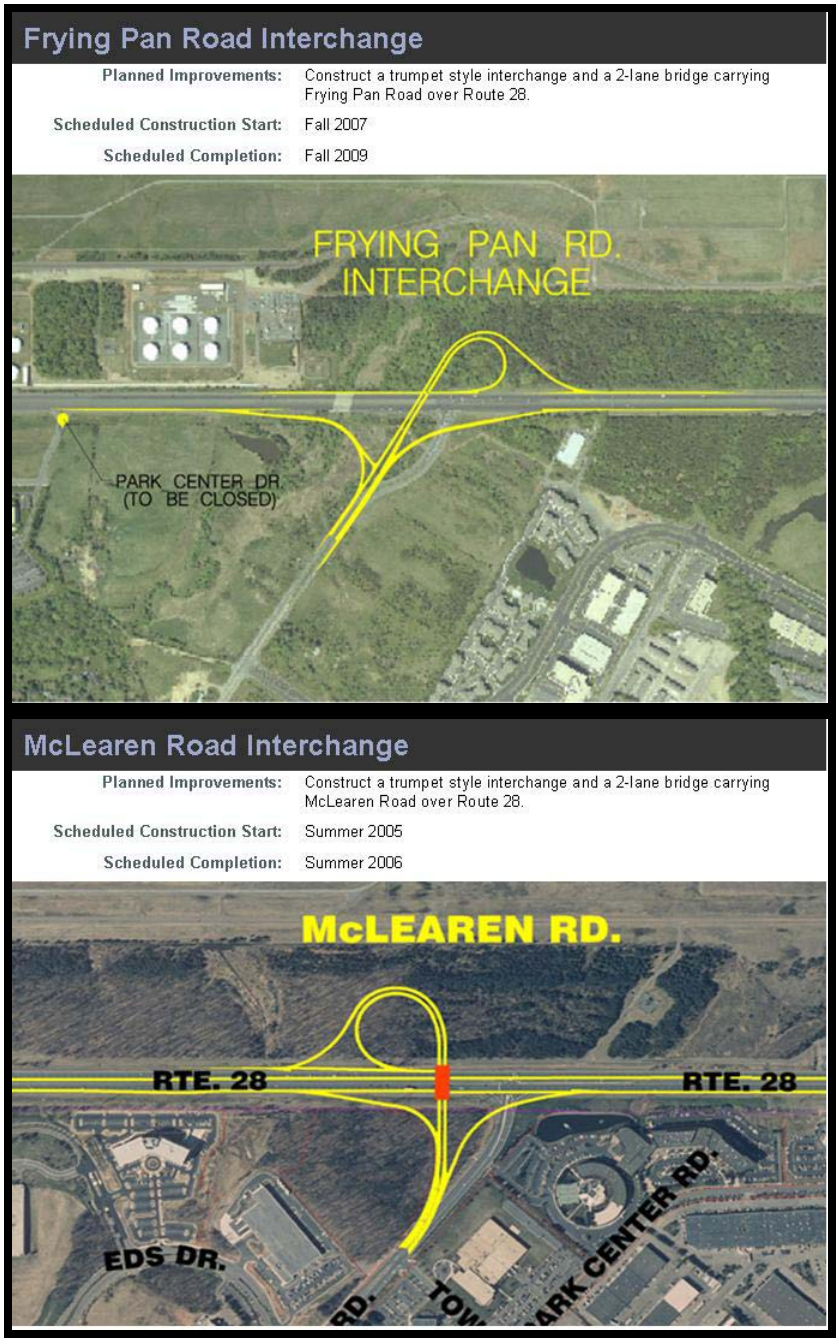
Route 28 Public/Private Transportation Act:

The Route 28 Public Private Transportation Act (PPTA) allowed for specific tax revenue collection and allocation towards the improvement of Route 28. This includes widening the road with additional lanes and replacing traffic light intersections with overpasses. Dulles Gateway Center benefits from the Route 28 PPTA by decreasing commute times for tenants. The most recent improvement near DGC was the installation of the Route 228/McLearen Road interchange (south of DGC). The Frying Pan Road interchange (north of DGC) may provide some limited benefit in the short term. However, it is not until the connection of Frying Pan Road with the Park Center Road extension through Middleton Farm will this trumpet-style interchange really begin to be of significant benefit to commuters to the Dulles Gateway Center.

Route 28 - Project Map & Schedule

Completion schedule for each funded interchange and roadway is as follows:

Roadway/Interchange:	Year
Air & Space Museum Parkway Interchange (formerly Barnsfield Rd)	2004 - Summer
Route 606 Interchange (Old Ox Road)	2005 - Spring
Westfields Boulevard Interchange	2005 - Fall
Route 625 Interchange - Flyover Bridge & Waxpool Road widening	2005 - Fall
Route 668 (McLearen Road Interchange)	2006 - Summer
Loudoun County Parkway	2006 - Summer
Route 625 Interchange - Church Road Widening and W&OD Trail Bridge	2006 - Fall
Route 846 Interchange (Sterling Boulevard)	2007 - Spring
Pacific Boulevard (between Sterling Blvd. and Cedar Green Rd.)	2007 - Spring
Braddock/ Walney and Route 28 Intersection	2007 - Spring/Summer
Route 657 (Centreville Road)	2007 - Fall
Innovation Drive (Center for Innovative Technology)	2007 - Winter
Willard Road Interchange	2009 - Fall
Frying Pan Road Interchange	2009 - Fall
Route 638 (Nokes Boulevard Interchange)	2009 - Fall
Pacific Boulevard (between Severn Way and Nokes Blvd.)	2009 - Fall



http://www.28freeway.com/project-map/5-fryingpan.html

Further Details on the Route 28 Public/Private Transportation Act

In 1987, the Virginia General Assembly gave localities the go-ahead to create special tax districts to finance transportation improvements. Fairfax and Loudoun Counties quickly

teamed up with Route 28 landowners to form the first transportation improvement district in the Commonwealth.

The two counties enacted a special levy of twenty cents per one hundred dollar valuation on all commercial and industrial property inside the 10,204-acre district. Bonds were issued to fund the construction, and the debt service was paid by Route 28 tax revenues with a back-up guarantee by the Commonwealth. One year later, construction was underway to widen the two-lane road to six lanes and build interchanges at Routes 50, 7 and the Dulles Toll Road. The 14-mile widening, from Route 7 in Loudoun County to I-66 in Fairfax County, was completed in 1991.

In 1995, the General Assembly passed the Public-Private Transportation Act. This Act enables private entities to propose innovative solutions for designing, constructing, financing and operating transportation improvements.

In September 2002, VDOT, The Clark Construction Group, Inc. and Shirley Contracting Company, LLC signed the Route 28 Corridor Improvements Comprehensive Agreement that provides a combined commitment of approximately $200 million in improvements over the next four years. Under this phase, six at-grade, signalized intersections will be replaced with high-capacity grade-separated interchanges. Ultimate plans call for construction of a total of ten interchanges and widening Route 28 to eight lanes. [xviii]

Clark Construction and its road-building subsidiary, Shirley Contracting, are responsible for all right-of-way acquisition, utility relocation, site development, design and construction services. VDOT will contribute more than $70 million and provide project support and guidance in accordance with the agreement to ensure the project's success.

Funding for this project is largely provided by the district's tax revenues. The revenues will support the sale of tax-exempt bonds that are backed by the moral obligation of both Fairfax and Loudoun Counties.
http://www.28freeway.com/projectoverview.html

Development Growth

The development growth of the area surrounding the subject site has been greatly influenced by the Dulles International Airport and the office space demands driven by the needs of the federal government.

One can see through data abstracted from a Fairfax County report, "Acres of Land by Planned Land Use by Planning District" how the airport has been a hub for industrial development. Here, the two Planning District's closest to the Dulles Airport are Bull Run and Upper Potomac. These two Planning Districts represent 32% of the entire Fairfax County land which is zoned and developable. However, taken together, these two districts represent 59% of the county land planned for Industrial use.

Much of the development within close proximity of the airport has been historically zoned for employment and industrial uses. The Airport Noise Impact Overlay Zoning was one way through public policy development of residential uses was prevented. However, the contour lines of this overlay zoning has been revisited in recent years to allow for some residential development closer to the airport than previously allowed.

The Northern Virginia market has grown significantly from government defense contractors. The National Reconnaissance Office (NRO) is one of the 16 U.S. government intelligence agencies. The agency specializes in satellite operations. They are based out of Chantilly, VA. A major office park development known as the Westfields has many tenants with employment contract work related to the NRO.

Another significant project by The Peterson Companies is building a pre-leased 350,000 SF office building for the Central Intelligence Agency (CIA). The site is known as Dulles Discovery North and is located across from the Air & Space Museum. The Fairfax County application RZ 2005-SU-026 and SE 2005-SU-023 for the 55.37 acre site proposes a potential total 1,282,848 SF of gross floor area across three office buildings.

The following section provides a view of the development growth by decade of office product. This information includes by Zip Code the # of buildings and corresponding SF developed along with notes of major players during each development period.

Office Development Growth for the 20171 Zip Code

Decade Period	# of Bldgs	SF Developed
1970's	10	340,397
1980's	31	8,552,755
1990's	21	3,011,468
2000's	33	5,358,211
Total	95	17,262,831
Source: Data abstracted from CoStar		

Noteworthy developers of different periods:
1970's: Gulf/Reston Associates
1980's: Centennial Development, Mason Hirst and Lee Sammis Associates
1990's: CarrAmerica, Reston Town Center Associates, Tamares Real Estate Investments
2000's: Boston Properties (2M SF), JBG, Trammel Crow
.

Office Development Growth for the Herndon area of the 20171 Zip Code		
Decade Period	# of Bldgs	SF Developed
1970's	0	-
1980's	9	925,751
1990's	17	1,817,272
2000's	19	3,795,869
Total	45	6,538,892
Source: Data abstracted from CoStar		

1980's: Brandywine Operating Partnership LP
1990's: Trammell Crow, Tishman Speyer, Simmons Vedder/Crimson Partners, Monument Realty and Brandywine Realty.
2000's: Of note, 7 buildings, (Dulles Station East and West Buildings, South Lake at Dulles Corner, Overlook Towers at Dulles Corner, Woodland Pointe and Dulles View) represent 1,609,231 SF recently or about to be delivered in 2007 and 2008. An additional 1.4M SF is listed as proposed developments mainly by Brandywine, Tishman Speyer, Crimson Partners, and Trammell Crow.

Additional descriptions of development growth on Dulles Corner and Dulles Station will be discussed in the Market Analysis section.

Office Development Growth for 20151 Zip Code		
Decade Period	# of Bldgs	SF Developed
1970's	0	-
1980's	38	2,209,818
1990's	24	1,981,585
2000's	48	4,523,380
Total	110	8,714,783
Source: Data abstracted from CoStar		

Two major business parks were developed within the 20151 zip code. Avion Business Park has been developed over a period of time from 1988 by the Trammel Crow Company with 11 office buildings 823,604 SF. The Westfields has over 56 buildings with 6,064,167 SF. This park has been developed over three major periods in the late 1980's, late 1990's, and 2005 to date. Two major players in Westfields development is Duke Realty (790,000 SF) and The Long Property Company (640,000 SF). Other significant developers of Westfields include Tishman Speyer, Corporate Office Properties Trust, and Akridge. Major buildings also of note include a 470,000 SF office built by

Verizon and sold to COPT known as Washington Technology at 15000 Conference Center Drive and an adjoining Washington Tech II 250,000 SF building.

Office Development Growth for the Herndon area of the 20170 Zip Code		
Decade Period	# of Bldgs	SF Developed
1970's	8	93,164
1980's	70	3,087,968
1990's	13	913,615
2000's	14	1,637,427
Total	105	5,732,174
Source: Data abstracted from CoSt		

1980's: Cambridge Property Group, First Potomac Realty Trust and Dulles Equities/RBV
1990's: Trammel Crow Company
2000's: Monument Realty, WRIT, and Boston Properties. An additional 2.5M SF is listed as proposed developments mainly by Tishman Speyer.

Strengths and Weaknesses of the Site

Weaknesses:

- Use Restriction: Fairfax County Comprehensive Plan – Land Use text has specific language which narrows the scope of development use. Future development should be high quality office and any retail should be limited to a support function of the overall development.
    i. "Parcel 24-2((1))11C is planned for office use up to .50 FAR as a transition between the office use to the south and the planned office uses to the north. High quality design is essential for this highly visible location on Route 28"
    ii. "Retail uses may be incorporated into the development but only as an integral element. No strip commercial uses are recommended, because these would be incompatible with high-quality hotel or conference center uses"[xix]

- Use Restriction: Residential limited due to zoning and land use language.

- Noise: Building would need to be in conformance with the Airport Noise Impact Overlay District.

- Height**:** Any improvement would need to conform with the Federal Aviation Administration (FAA) Part 77 regulations which could potentially limit height and impose setbacks.

- View**:** Located directly across from the property is an airport fuel tank farm. A few years ago, a Traffic Noise Barrier Wall was erected between this fuel tank farm and Route 28. While this wall will obscure the unsightly view of the fuel tanks from someone located 3 stories and below, anyone above this level will see the storage tanks.

- Route 28 Construction & Access: Beginning Fall 2007 through Fall 2009, the current access to the site of Park Center Road from Route 28 may incur some congestion from the construction work right up the road along the Frying Pan Road intersection.[xx]

Strengths:

- Great Visibility: The site is located directly alongside Route 28. "Route 28 is a vital artery not only for Fairfax County, but also the Northern Virginia region," said Fairfax County Board of Supervisors Chairman Gerald E. Connolly.[xxi]

- Proximity to Airport: The site is directly adjacent to a major international airport. Businesses find value being closely located near major airports. Visiting business partners and corporate executives who need to fly frequently like the convenience of being a short drive to an airport.

- Proximity to Major Roadways: The site is within a short 5 miles to either Route 50 or the Dulles Toll Road.

- Proximity to Major Business and Retail Centers: Whether considering the close proximity of the site to Reston, Tyson Corners, or the overall Greater Washington D.C. Metropolitan area, this site is positioned in a real estate market with long term value support.

- Development Rights: The site is grandfathered for a development potential of 1.0 FAR.

- Route 28 Construction & Access: Despite short-term construction impedances over the next two to three years, the Route 28 Public-Private Transportation Act (PPTA) has and will continue to decrease long-term congestion and improve the overall commuter experience to and from the site.

IV. MARKET ANALYSIS

The trade area for the subject site includes the Northern Virginia/Fairfax County market and the Dulles Corridor submarket. The following Market Analysis provides insight as to how the Dulles Gateway Center – Phase II is anticipated to face upon opening in 2010 an oversupplied market with a lot of competition.

Economic Analysis

Fairfax County, VA

The information provided below provides the economic and demographic profile of Fairfax County.

Population, Households and Income

Fairfax County, Virginia, per the 2000 U.S. Census Bureau SF 1 report has a population of 969,749. The population of the Fairfax County Planning District of Upper Potomac as of 2000 is 162,010 or approximately 16.7 % of the county.[xxii] Per CoStar, 2000 Census data population within a 5 mile radius of the site is 157,314 and within a 10 mile radius 487,699. Comparatively, Fairfax County Department of Systems Management for Human Services provided in a 2004 Demographic Report preliminary projections for the county-wide population to grow to 1,133,000 by 2010. [xxiii] While this represents 164,200 additional residents or a 16.8% growth from 2000 to 2010, county projections only anticipate 60,400 new residents from 2010-2020 as vacant residential land becomes scarce. Interestingly, data presented within CoStar's 10 mile radius projections provide for a 35.9% growth from 2000 to 2010 with an increase in population of 175,731 persons for a total of 662,830 persons. We believe two logical explanations for the 10 mile radius 2000 to 2010 growth projections being different compared to the whole of Fairfax County. First it is acknowledged the 10 mile radius scope from the site location will include population data from neighboring Loudon County to the west and Prince William County to the south. Second, while average levels across a county may indicate an overall population growth trend, it is recognized shifts in where the population resides within a county can change which may or may not include increases in one area offset by declines in another.

The household population for Fairfax County per the 2000 U.S. Census Bureau SF 1 report is 350,714 households. The Upper Potomac district held 56,903 or 16.2% of the county households. And, a 10 mile radius composite provided by CoStar places 172,639 households. At a county-level, 71.4% of households were Family households of which 36.3% had children under age 18. The median age is 35.9 years. Approximately 50.10%

of the population is represented within the 25 to 54 years old age group. The Fairfax County community population profile by Race is White 69.9%, Black or African American 8.6%, Asian 13.0%, Hispanic or Latino 11%. These percentages may add above or below 100% because individuals may report more than one race.

Median household income levels in Fairfax County are likely to remain one of the highest in the nation because of the area's low unemployment rates, high levels of educational attainment, and the types of jobs available to residents.[xxiv]

	Estimates						
	1970	1980	1990	2000	2002	2003	2004
Median household income							
All households	$ 14,854	$ 30,011	$ 59,284	$ 81,050	$ 85,310	$ 80,753	$ 88,133
Householders 65+ years		$ 25,496			$ 59,249		
Persons below poverty level	18,619	23,092	28,210	43,396	44,012	41,165	
Poverty rate	4.2%	3.9%	3.5%	4.5%	4.5%	4.2%	4.4%

Sources: U.S. Census Bureau, Decennial Censuses (1970 – 2000) and American Community Surveys (2002 – 2004).

Employment

Fairfax County has emerged since the 1980's and 1990's to present day 2007 as a strong and growing economic center within the greater Washington D.C. metropolitan area. An article from the Bureau of Labor Statistics Monthly Labor Review Online, December 2006 describes the Fairfax County as a second job core:

> *"Rapid job growth in several high-wage industries in the private sector, especially professional and business services, has made the Washington, DC metropolitan area, and above all Fairfax County, VA, a very attractive location for jobseekers.....Moreover, Fairfax County has emerged as the metropolitan area's private sector job leader, joining the District, with its concentration of public-sector employment, as a second major hub for regional economic activity."*[xxv]

Major employers within the Fairfax County Dulles Corridor include: AT&T, BAE Systems, Cisco Systems, Computer Associates, Deltek, EDS, EWA, Equant, Federal Express, NRTC, Northrop Grumman, Perot Systems, Sprint, Time Warner and Verisign.[xxvi]

At the Fairfax County level, the 2006 3rd Quarter Virginia Employment Commission List of the 50 Largest Employers include such notable public and private institutions, government agencies, and firms such as the Fairfax County Public Schools, County of Fairfax, Inova Fairfax Hospital, Booz, Allen and Hamilton, US Department of Defense, SAIC, FHLM, George Mason University, Lockheed Martin, SCS, IBM, Nextel, Raytheon, Northrop Grumman, EDS, Target, ExxonMobil, PWC. [xxvii]

The unemployment rate is strikingly low at 2.7% per the U.S. Bureau of Labor Statistics. This is may be compared to other major employment areas such as Boston at 5% or Los Angeles at 7% [xxviii]

Much greater detail on the subject site's employment industry profile and current data with future projections is provided within the Demand analysis.

Employment, not population as the key economic driver.

The Virginia Employment Commission (VEC) 2006 2nd Quarter report for Fairfax County places a total of 575,729 employees. The Professional, Scientific, and Technical Services industry leads all other industries with a 25% share of the workforce. This is followed up by Retail Trade which captures 10%. Health Care, Education, and Administrative and Support industries also have market shares 7% and above each. See the appendix for a complete market industry report.[xxix]

Similar data compiled with a slightly different geographic scope of Fairfax County, Fairfax City, and Falls Church, VA, by the Bureau of Economic Analysis and the US Department of Commerce through the Regional Economic Information System shows like findings of the industry profile. Here, 24% of the private employment workforce is based on Professional and Technical Services with Information 6%, Finance and Insurance 5%, Real Estate 5%, and Administrative positions making up for 8% of the employment profile.[xxx] See appendix for further details.

The VEC also has industry growth projection estimates from 2002 to 2012. The following data encompasses a larger area of Northern Virginia and Arlington County. See the appendix for a map. Estimated 2002 employment within the Combined Projections Area (LWIA XI and LWIA XII) is 1,010,969. The projected employment by 2012 will increase by 240,000 employees to 1,255,229. This is a 2.19% annual average percent increase with a 24.2% total percentage change. Industry segments such as Professional and Business Services, Government, Information, Financing Activities, and Other Services makes up approximately 55% of the growth representing 134,091 new employee positions. While the geographic area is larger than our specific study area this will help provide support to the point office type occupations versus say manufacturing are on the rise.

Another source for employment projections includes the Metropolitan Washington Council of Governments (MWCOG). A recent Fall 2006 report from the MWCOG titled, "Growth Trends to 2030: Cooperative Forecasting in the Washington Region", included a chart "Summary of Intermediate Employment Forecasts Round 7.0a Cooperative Forecasts". The report estimated 2005 "intermediate" employee totals for Fairfax County at 600,500 employees. And, for 2010 and 2015, employee forecast numbers of 683,900 and 729,600 respectively. Of interest, MWCOG estimates in 2005 the District of Columbia with 744,800 employees to have 24% more employees than

Fairfax County. However, by 2030, D.C. is projected to have 859,100 employees and Fairfax County 844,600. By 2030, D.C. will only have 2% more employees than Fairfax County. This is a very close gap closing in between the two largest jurisdictions within the greater metropolitan area when measured by employment numbers.[xxxi]

As reference, MWCOGs describes "intermediate" employee totals based on their forecasting three different scenarios – high, intermediate and low – reflecting the range of uncertainty about long-range market and development trends. Using MWCOGs October 2006 study which identifies employment projections as "Total Employment", we see a forecast where Fairfax County surpasses D.C. before 2025 with Fairfax with 871,423 employees and DC with 843,843. This iteration of MWCOGs 2030 forecast has DC with 859,102 Total Employment and Fairfax County with 904,191.[xxxii]

Stephen S. Fuller, Ph.D., of George Mason University published a study in August 2004 "The Evolution and Future Structure of the Fairfax County Economy". Two key findings from Dr. Fuller's study include 1) A forecast of 474,100 new jobs will be created between 2000 and 2020 and 2) while the population of the county is projected to increase by 35% during this period the job base will by 63%. This second indicator is of interest because it suggests when looking to demand studies for office product an evaluation should include a scope greater than the immediate surrounding area of the Dulles Gateway Center – Phase II site.[xxxiii]

A recent article in CNN Time cited Stephen Fuller and why Northern Virginia is such the job growth engine. Here's an excerpt:

> "For those who fret that America has lost its way, that all the good jobs are being outsourced to China or India, that regular folks can't get ahead anymore, Loudoun and its neighboring counties seem to offer a resounding corrective. From 2000 to 2005, the Washington metropolitan area, of which Loudoun is part, added 359,000 jobs--much more than even such Sun Belt boomtowns as Phoenix, Ariz., and Dallas. More than half of those jobs were on the Virginia side of the Potomac, the bulk of them white-collar stuff like management consulting, computer services and scientific research. The epicenter of the boom has been Fairfax County, just east of Loudoun and a notch below it on the income list. Fairfax is home to a million people and 600,000 jobs. It is ethnically and racially diverse. It has excellent public schools. Its unemployment rate is just 1.9%. That it is also a strip-malled, traffic-clogged mess does not take away from the fact that it is one of the great economic success stories of our time. With Fairfax County leading the way, the Washington area is becoming a job machine. So why aren't regions around the country trying to emulate it, as they did Silicon Valley in the 1990s? The simple answer is that they can't. "If you can force the rest of the country to send you money or go to jail, it does wonders for your economy," says northern Virginia writer and noted urban thinker Joel Garreau. Stephen Fuller, who runs the Center for Regional Analysis at George Mason University in Fairfax, puts it more gently: "It's nice to have a rich uncle." That would be Uncle Sam. Yes, there are purely private jobs in the region: drive among the dense thickets of office buildings in Tyson's Corner and along the Dulles Toll Road, and you see some impressive corporate HQs--Capital One, Freddie Mac, Gannett, Sprint Nextel. But you also come across mysterious acronyms like BAE, CSC, MITRE and SAIC. These are big-time government contractors, and when Fuller looks closely at job growth in the area, it is mainly these that he sees."[xxxiv]

The U.S. Census Bureau estimates 54% of the Fairfax County employment base is comprised of individuals who also reside within the county. The remaining employees of Fairfax County include commuters from Prince William County 8%, Loudoun County

7%, as well as an aggregate of approximately 18% from Arlington, Prince George's, Alexandria, and D.C.[xxxv] See appendix for a more detailed chart.

Demand Analysis

One key success factor for the DGC – Phase II project is to get the project quickly leased up. A supply and demand analysis was conducted to ascertain what market challenges and fundamentals the DGC – Phase II center will be up against once the project is ready for pre-lease activities and post construction occupancy. We looked at the following two factors: 1) Existing and under construction office product and, 2) current and future employment growth trends. Based on these two factors we're able to forecast absorption and vacancy rates.

Many sources of data were used to calculate the supply and demand forecast. The two main sets of data are from the CoStar database and reports from the Metropolitan Washington Council of Governments (MWCOG).

First we pulled and compiled data from CoStar. The following information references the chart below titled "Office Market Supply & Demand Forecast for the Dulles Corridor SubMarkets of Route 28 North, Route 28 South, and Herndon". A startling concern is the high 20.2% vacancy in the immediate Dulles Corridor South submarket. Please note the submarkets of Great Falls and Reston weren't included in this analysis based on discussions with brokers these submarkets would not be considered as strongly as location alternatives to Dulles Gateway Center.

Next we looked at what other competitive office projects are currently under construction through 2008. The third chart directly below provides a gross market supply based on current vacancy and no further absorption. We used an aggressive market absorption of 1.5M SF per year. This is based on employment growth projections from 2005 through 2010. We also assumed there would be no further office supply under construction in 2009 and 2010. Finally, we conclude there will still be over 3M SF of vacant office space to be absorbed by the market by the time Dulles Gateway Center – Phase II will hit the market. The construction timeline places building occupancy in September 2010 with an 18 month lease up period concluding January 2012.

Employment growth forecasts were compiled by using data from the Round 7.0a Cooperative Forecasting by the Metropolitan Washington Council of Governments (MWCOG). We selected the Traffic Analysis District (TAD) # 312 of the DGC site and neighboring TAD's # 310 and 312. MWCOG provides employment growth trends forecast figures by TAD.

For the three selected TADs there will be 26,314 new jobs between 2005 and 2010. From the years 2010 to 2015 there is a forecast of 13,416 new employment positions. Next, an estimate is needed to identify out of all new jobs created, which percentage of this job growth would actually be attributed to job types using office space. Using data

from the Bureau of Economic Analysis we estimated 52.3% of new employment growth would be jobs which support users who typical occupy office space like Dulles Gateway Center. We assume for our model the typical office employee occupies 250SF of space. From 2010 to 2015 we calculated based 13,416 new jobs with 52.3% using office space the Total Gross Market Office Demand would be 1,754,142 SF.

Office Market Supply & Demand Forecast for the Dulles Corridor
SubMarkets of Route 28 North, Route 28 South, and Herndon

Office Building -- Existing Space

SubMarket	Rentable Building Area (SF)	Total Available Space (SF)	Vacany Rate
Herndon	11,066,343	1,440,761	13.0%
Route 28 Corridor North	7,806,970	1,286,880	16.5%
Route 28 Corridor South	11,000,619	2,219,306	20.2%
Total for Dulles Corridor	29,873,932	4,946,947	16.6%

Office Buildings -- Space Under Construction through 2008

SubMarket	Rentable Building Area (SF)	Total Available Space (SF)	Pre-Leased
Herndon	1,476,397	1,446,023	2.1%
Route 28 Corridor North	466,510	466,510	0.0%
Route 28 Corridor South	1,203,868	792,734	34.2%
Total for Dulles Corridor	3,146,775	2,705,267	14.0%

Office Buildings -- Space After 2008 with ZERO Absorption

SubMarket	Rentable Building Area (SF)	Total Available Space (SF)	Vacany Rate
Herndon	12,542,740	2,886,784	13.0%
Route 28 Corridor North	8,273,480	1,753,390	16.5%
Route 28 Corridor South	12,204,487	3,012,040	20.2%
Total for Dulles Corridor	33,020,707	7,652,214	23.2%

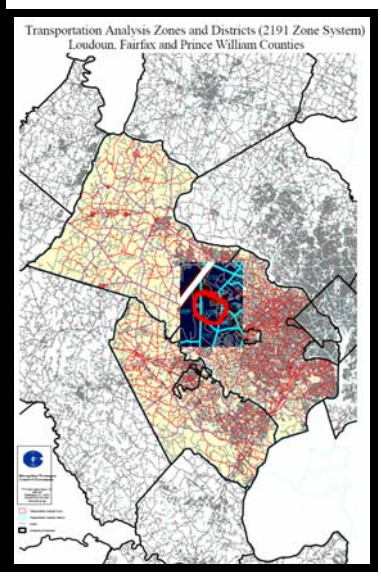
Post 2008 Forecast
Assumes an AGGRESSIVE 1.5M SF of annual net

Year	Rentable Building Area (SF)	Total Available Space (SF)	Vacany Rate
Year End 2008	33,020,707	6,152,214	18.6%
Year End 2009	33,020,707	4,652,214	14.1%
Year End 2010	33,020,707	3,152,214	9.5%

See appendix for market data of Dulles Corridor which includes the Great Falls and Reston submarkets.

This chart below provides the MWCOG employment growth forecast data for the 3 TADs in and around the Dulles Gateway Center.

	Year		
TAD #	2005	2010	2015
310	3,459	4,299	4,633
312	53,460	64,921	72,043
314	67,519	81,532	87,492
	124,438	150,752	164,168
Employment Growth:			
Years	2005 to 2010	26,314	
Years	2010 to 2015		13,416
Estimated 2007 to 2010		15,788	
Estimated: 2010 to 2015		13,416	
Estimated: 2007 to 2015		29,204	



Based on the employment growth and existing absorption rate we anticipate the Dulles Gateway Center – Phase II would face stiff competition. While there would 1.75M SF of office space absorbed from 2010 to 2015 there is projected to still have a market oversupply of over 1.5M SF after the year 2015! This is not even including the proposed 140,616 SF development which DGC – Phase II would add to the overall marketplace.

			TAD #'s 310, 312, & 314 (2010
1	Employment Growth	13,416	**to 2015)**
2	Percent Using Office	52.3%	From BEA CA 25
3	SF Per Employee	250 SF	
4	Total Gross Market Office Demand	1,754,142 SF	
5	Less Excess Space (Existing Vacancy)	3,152,214 SF	Estimated
		-1,398,072 SF	
6	Plus Frictional Vacancy (Always Vacant)	1.03	
7	Plus Replacement (Obsolescence)	1.05	
8	Total Net Market Office Demand	-1,512,015 SF	
	Less Under Construction	0,000 SF	Estimated
		-1,512,015 SF	
9	Submarket Capture	75.0%	Class A - Dulles Corridor South
		Market Oversupply	
10	Project Capture	10.0%	
		Market Oversupply	

The following chart below shows how we calculated 52.3% as the potential of new employment jobs which would be potential users of office space.

Total Percent of Workforce who are potential users of Dulles Gateway Center Office Space

Fairfax, Fairfax City + Falls Church	51919					
LineCode	LineTitle	2004				
10	Total employment	785,652				
20	Wage and salary employment		645,327			
40	Proprietors employment		140,325			
50	Farm proprietors employment			129		
60	Nonfarm proprietors employment 2/			140,196		
70	Farm employment		200			
80	Nonfarm employment		785,452			
90	Private employment			684,391		
100	Forestry, fishing, related activities, and other 3/			(D)		
200	Mining			(D)		
300	Utilities			(D)		
400	Construction			45,883	7%	5.80%
500	Manufacturing			(D)		
600	Wholesale trade			(D)		
700	Retail trade			73,305	11%	9.30%
800	Transportation and warehousing			(D)		
900	Information			39,448	6%	5.00%	5.00%
1000	Finance and insurance			33,779	5%	4.30%	4.30%
1100	Real estate and rental and leasing			34,434	5%	4.40%	4.40%
1200	Professional and technical services			167,276	24%	21.30%	21.30%
1300	Management of companies and enterprises			18,687	3%	2.40%	2.40%
1400	Administrative and waste services			54,355	8%	6.90%	3.50%
1500	Educational services			13,357	2%	1.70%	
1600	Health care and social assistance			55,004	8%	7.00%	
1700	Arts, entertainment, and recreation			15,902	2%	2.00%	
1800	Accommodation and food services			43,554	6%	5.50%	1.10%
1900	Other services, except public administration			43,738	6%	5.60%	5.60%
2000	Government and government enterprises			101,061			
2001	Federal, civilian			37,567		4.80%	4.80%
2002	Military			7,240		0.90%	
2010	State and local			56,254		7.20%	
2011	State government				10,616		
2012	Local government				45,638		
Total Percent of workers who are potential users of Dulles Gateway Center Office Space:							**52.30%**

Source: http://www.bea.gov/regional/reis/CA25Nfn.cfm

Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce CA25N Footnotes

This chart directly below is interesting because it shows the Dulles Corridor marketplace as a whole still has an incredible amount of development potential. This data abstracted from CoStar may be considered commercial real estate development projects which have had some basic level of market analysis performed to construct a building. It does by no means imply or indicate there is 24M SF of property which could be directly competitive to Dulles Gateway based on many factors such as location, cost, and other of several marketing advantages and disadvantages which could be made to compare. It simply suggests unlike a more urban setting like Manhattan or Washington, DC, there is plenty of potential for development which does to a certain level make the vacant land of Dulles Gateway Center more of a commodity.

Dulles Corridor: Buildings -- Proposed	
SubMarket	Rentable Building Area
Great Falls	-
Herndon	4,072,056
Reston	3,234,974
Route 28 Corridor North	8,175,277
Route 28 Corridor Sourth	8,714,290
Total for Dulles Corridor	24,196,597

Perspective from the Brokerage Community:

The following section provides several excerpts from major brokerage houses familiar with the Washington, DC, and Dulles Corridor market. The consistent message which may be found in these reports is the Dulles Corridor market is already in 2007 in a state of growing concern where lowered employment forecasts coupled with a fervent level of development has created a situation where vacancy rates will continue to trend upward.

From: Cassidy & Pinkard's Market Insights

2006 -- 3rd Quarter -- Northern Virginia Report

Overbuilding is a concern for numerous owners in Northern Virginia. The data indicates that overall, Northern Virginia is balanced, except for the Toll Road and Route 28 South where roughly 3.4 million square feet are under construction and due to deliver throughout 2007 and 2008. Demand for space is a quandary. Currently, net absorption is trending well below the ten-year average annual net absorption level of 1.3 million square feet for those combined markets. If demand does not pick up, the degree of overbuilding could be problematic. Demand in Northern Virginia, however, is hard to project and major space users could be just around the corner.[xxxvi]

2006 -- 4th Quarter, Year-End -- Northern Virginia Report

Introduction: Northern Virginia posted just 375,000 square feet of net absorption in the fourth quarter of 2006, bringing about a quiet end to a tepid year. After three years of continuous recovery, the effects of leveling demand began to take hold. November data indicates that the number of jobs added in Northern Virginia over 2006 (38,000) did not reach projected levels of 44,000, underscoring diminished demand for office space. All tolled, year-over-year net absorption approached three million square feet, settling at the low end of the normalized range of three to four million square feet. Vacancy over the fourth quarter remained unchanged at 10.3 percent, but year-over-year vacancy declined by three basis points.

Deliveries and Groundbreakings:
Speculative groundbreakings abounded in 2006, concentrated along the Toll Road and Route 28 South. At year-end, 6.6 million square feet were under construction in Northern Virginia, with 1.2 million square feet commencing in the fourth quarter. The vast majority of space under construction, roughly 65 percent, remains "unencumbered".

Rents: Rents climbed in 2006 all over Northern Virginia but most significantly in Arlington. Outside the Beltway, late in the year, the $30 threshold was surpassed in select buildings along the Toll Road and Route 28 South.

Outlook: In 2007, Route 28 South and the Toll Road markets will likely capture a significant portion of the market's overall net absorption, but overall vacancy could rise by two percentage points as four million square feet are due to deliver throughout the year, 66 percent vacant at year-end 2006. Users seeking large contiguous blocks of space in excess of 50,000 square feet will find minimal options close-in, forcing them to consider the outer markets. Leasing velocity has been on a downward trajectory for two years and currently the limited number of tenants in the market as well as job growth projections of 33,500 net new jobs, indicates that 2007 will be a moderate year.[xxxvii]

2007 -- 1st Quarter -- Northern Virginia Report

Outlook: While rents rose significantly in the first quarter, demand is anticipated to wane in the coming months. Touring activity has been moderate, and signed leases are not expected to offset the supply of new space due to deliver in 2007 (3.3 million square feet, 63 percent available). Vacancy is projected to rise, and despite the rental up tick in the first quarter, landlords along Route 28 South have already begun to increase incentives by offering TI allowances approaching $70 per square foot for build out above the shell, as well as rental abatement. On a related note, 2007 job growth projections for Northern Virginia were revised downward from 33,500 to 28,700 net new jobs after the Bureau of Labor Statistics released data indicating that fewer jobs were added in 2006 than initially thought. If fewer jobs materialize, annual net absorption in Northern Virginia may settle in a band of 2 to 3 million square feet, about 1 million below the annual norm. All told, Northern Virginia remains one of the most vibrant suburban economies in the U.S.,

creating more office using jobs than most suburban markets. A quiet leasing year in Northern Virginia would be a welcome occurrence in just about any U.S. office market.[xxxviii]

From: Grubb & Ellis

2007 Forecast Report

While construction is down from the peak levels of 2000 and 2002, in 2007 over 5 million square feet is expected to come online. Tenants with options to renew have the opportunity to avoid the high costs associated with relocation and many landlords will be aggressive in order to retain current tenants. Tenants that have outgrown their space will face tight market conditions and can expect to pay the higher costs of new construction. In addition, tenants that require high-tech and high-security build-out will have to pay premium rents due to the cost of construction.

The Route 28 and Dulles Corridor are submarkets to watch in 2007. In a two year period these markets will have delivered nearly 2 million square feet of new buildings. Defense firms located in the Dulles Corridor have found that proximity to other defense contractors, an international airport and the District of Columbia gives them both a business advantage and a level of convenience that they cannot achieve in other areas of Northern Virginia.[xxxix]

Northern Virginia
The Northern Virginia office market contains 124.5 million square feet of inventory after a decade of rapid growth. It has demonstrated sustained growth and strong performance by any indicator; vacancy, construction or absorption.

The Route 28 North and South submarkets, encompassing 102 buildings and nearly 9 million square feet of office space, play a key role in Northern Virginia's growth. The average rent for Class A space in these submarkets is $25.68 per square foot and more than 1.1 million square feet are under construction in Route 28 South. Dulles International Airport, which accommodated 23 million passengers in 2006, straddles these submarkets and is a key business driver to the market. Route 28 North had two buildings deliver in the first quarter; Four Sterling Park at 22400 Shaw Road, an 80,000 square foot Class B property, and Ryan Park Center Building A, located at Ashburn Village Road and Dulles Greenway, featuring 60,192 square feet of Class A space. Both were 100 percent occupied at delivery. Route 28 South added The Ponds I Building at Westfields to its inventory, a 125,000 square foot Class A property.

Market watchers are closely keeping track of the extension of the Metrorail system through Tysons Corner and its impact on leasing and tenant retention.

1st Quarter 2007 Report Forecast

Regionally there are 10.4 million square feet under construction with strong preleasing activity. Over supply is not a concern throughout 2007 as there is significant tenant demand across all sectors. Rental rates, already at record levels, are expected to trend higher throughout the remainder of the year, as leasing velocity will continue to drive vacancy downwards, further tightening the Washington D.C. metropolitan market. While there is concern that the Democratic Party controlled Congress will shift its priorities for government spending, the market has not experienced any negative effects to-date. In the long term, focus may shift from defense spending which has tended to benefit Northern Virginia, and life science industries such as biotechnology which may boost demand in Suburban Maryland. Regionally, the size and maturity of the of the office market and projected job growth, will ensure long term growth.[xl]

From: CB Richard Ellis

1st Quarter 2007 Report – Northern Virginia

MARKET OUTLOOK

Despite a sluggish start to 2007, Northern Virginia's office market will continue to experience healthy demand. As federal government spending pulls back and corporate profits increase, an increase is expected in private sector leases in the near term. Asking rental rates are projected to trend even higher, as several new Class A buildings, with ample available space, are poised for completion. With over 6 million square feet of new office product delivering this year, the vast majority of which is non-committed space, the market will likely experience a vacancy increase of 1 to 2%. Economy.com projects that Northern Virginia will add 18,000 office using jobs this year, thus fueling 2.8 - 3.3 million square feet of annual net absorption in the market. With strong demand fundamentals, coupled with higher pro-forma expectations used to justify development and sale investments, asking rates are expected to trend upward during 2007.[xli]

GWCAR (Greater Washington Association of Realtors):

Northern Virginia -- Outlook For 2007

Market Conditions

Fed Government & government contractors continue to drive demand (more than 50% of activity), but contractor demand is slowing

Telecom and Tech firms starting to scout the market and increase space requirements

Increase in federal spending, particularly defense spending carrying the market. How will slowdown in spending play out?

Increasing development pipeline 6.3 MSF under construction, 26% pre-leased

Concern of slowdown in government spending in next several years

Looking Forward

Concern regarding BRAC implementations and DOD security setbacks (possible for defense contractors)

Rental rates will continue to achieve record highs in certain areas, while concession packages decrease

Developers need to be cautious in starting new spec projects[xlii]

Competitive Analysis

While we demonstrated with greater detail the competitiveness of the project with three of the GWCOG Traffic Analysis Districts, we also can see how on a single Traffic Analysis Zone (TAZ) # 1709 of the site there is simply not enough projected job growth to absorb development of the Dulles Gateway Center – Phase II project. This is primarily due to the recent development of 13857 McLearen Dr - Lincoln Park III at Dulles International Center project right down the road which delivered 203,000 SF in the 2nd Quarter 2007. This 100% speculative and vacant project is assumed to be of the same like office product which is envisioned for Dulles Gateway Center – Phase II. And, given current vacancy and this new construction, this TAZ will need using a typical lease up period of at least a year to two to absorb all the vacancy to support any new speculative construction within the immediate area.

Additional long-term competition will come from the north of the property. The Dulles Corner and Dulles Station master-planned communities will focus their marketing strategy of close proximity to major highway intersections and the Dulles Metrorail.

Significant development projects include 7 buildings, (Dulles Station East and West Buildings, South Lake at Dulles Corner, Overlook Towers at Dulles Corner, Woodland Pointe and Dulles View) which represent 1,609,231 SF of recently or about to be delivered product in 2007 and 2008. An additional 1.4M SF is listed as proposed developments mainly by Brandywine, Tishman Speyer, Crimson Partners, and Trammell Crow.

Long term competition will also come from two major business parks developed a few miles south. Avion Business Park has been developed over a period of time from 1988 by the Trammel Crow Company with 11 office buildings 823,604 SF. The Westfields has over 56 buildings with 6,064,167 SF. This park has been developed over three major periods in the late 1980's, late 1990's, and 2005 to date. Two major players in Westfields development is Duke Realty (790,000 SF) and The Long Property Company (640,000 SF). Other significant developers of Westfields include Tishman Speyer, Corporate Office Properties Trust, and Akridge. Major buildings also of note include a 470,000 SF office built by Verizon and sold to COPT known as Washington Technology at 15000 Conference Center Drive and an adjoining Washington Tech II 250,000 SF building.

13820 Sunrise Valley Dr “South Lake at Dulles Corner”. Seen on left in the picture directly below. This high end Class A property currently close to completion provides scenic views of a lake with a walking path (as seen in foreground) and nearby amenities such as a baseball field. The construction of “Overlook Towers at Dulles Corner” can be seen under construction in the right corner of the picture below.


Sunrise Valley Dr
Dulles Toll Road
Corporate Campus
Proposed Transit Dedication
Rock Hill Road Extension (Proposed ROW)
Commercial District
Residential Neighborhoods
Proposed Park Authority Dedication
Sunrise Valley
Phase 1 Residential


Sheraton
Future Metro Parking
DSE 3
Hyatt Place
Residential
Residential
Office
Office
DSE 2
Residential
DSE 1
Dulles Toll Road
Sunrise Valley Drive
Retail

The site plan above and below are the same except the one above is for the “Dulles Station East” (see the red buildings DSE 1, 2, 3) and the one below is for the “Dulles Station West”.

The following office building details provides an overview of what type of office product is being developed. It provides an insight as to what features are expected in the marketplace. If there is one key challenge to Dulles Gateway Center is the lack of on-site amenities. Many of the new office product coming to the market in Dulles Corner and Dulles Station boast the on-site or nearby amenities of restaurants, delis, walking paths, and other business accommodations. Dulles Gateway Center as a stand alone office building may not have the differentiators which will allow for it to command premium rents.

TOTAL BUILDING AREA: 179,764 RSF
NUMBER OF FLOORS: Six
TYPICAL FLOOR SIZE: 31,574 RSF
COLUMN SPACING: Nominal 30’ x 43’ structural bays
MULLION SPACING: 5’ at punch windows
CEILING HEIGHTS: 6th Floor: 13’ slab to slab, 9’ finished
2nd – 5th Floors: 12’ 6” slab to slab, 9’ finished, 1st Floor: 15’ slab to slab, 11’ 6” finished
ELEVATORS: Five elevators (four passenger, one freight)
Passenger Capacity/Speed: 3,500 LBS/350 FPM, Freight Capacity/Speed: 4,000 LBS/350 FPM
STRUCTURAL: 100 LBS/SF live load Two-way, post-tensioned concrete slabs

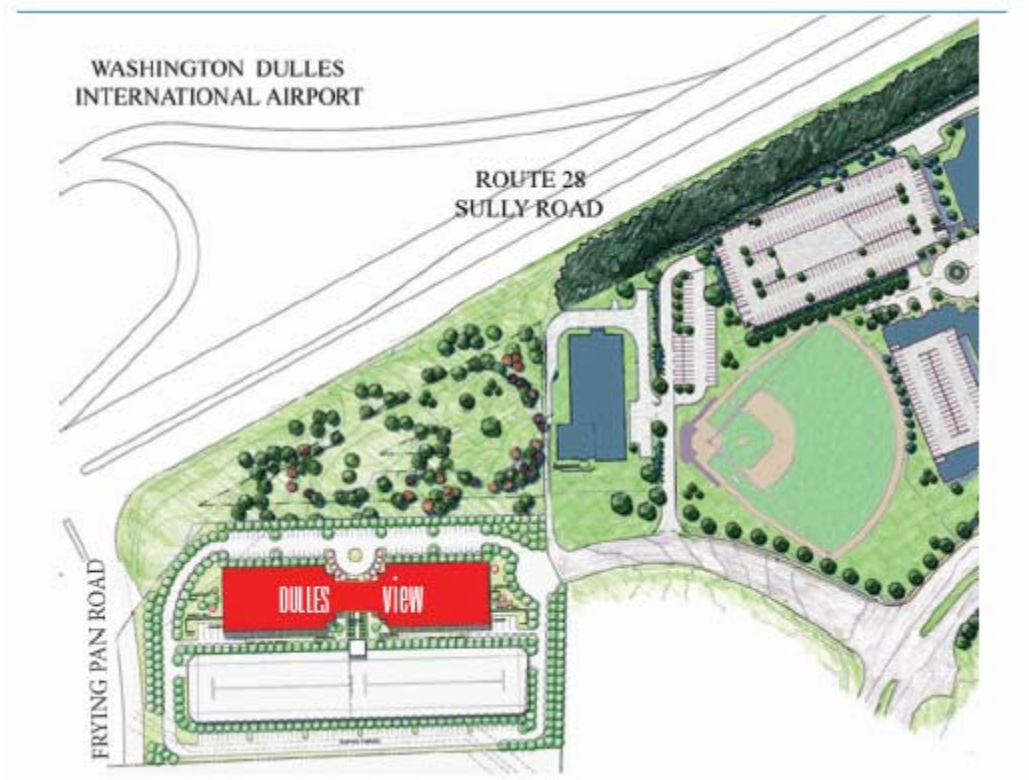
HVAC: Mechanical system uses cooling towers for condenser water, a packaged rooftop unit with DX coil for pre-cooling outside air and gas-fired furnace for pre-heating outside air, 60-ton condenser water cooled variable volume (VAV) DX units for air distribution and fan-powered VAV boxes with electric reheat for zone control. System yields a nominal 315 SF/ton or a nominal 1.05 CFM/SF.
ELECTRICAL: Tenant Distribution: 480/277V, 3 phase, 4 wire Tenant High Voltage Capacity: 480/277V Tenant Low Voltage Capacity: 120/280V 4 W/SF (1 W/SF general receptacle, 3 W/SF desktop computer loads), 2.5 W/SF for lighting and 1.5 W/SF for future expansion.

ACCESS CONTROL: Electronic access control and monitoring is provided for all outside doors and stairway access doors. Elevator equipment, elevator emergency and fire systems are remotely monitored.
PARKING: Structured parking at a ratio of 3.5/1,000 RSF
FUTURE DEVELOPMENT: Phase II will be a roughly 350,000 gross SF office building, standing 12 stories.

NORTHERN VIRGINIA'S MOST SOPHISTICATED WORKPLACE IN YEARS

Dulles View is a unique executive business environment featuring Class A location, design and construction. Its lush and luminous atrium is where architecture and nature meet.

The building also has a novel service philosophy: treating tenants like guests. We call it 5-Star Service and it actually anticipates tenants' needs by offering a host of benefits including a superb health club and an elegant new café. Business needs are powerfully supported as well, with a new state-of-the-art conference facility, a corporate gift service and a menu of concierge services such as executive 24/7 car service, travel and personal reservations, event planning and technical support.



Dulles View under construction in background. A residential community by Archstone-Smith provides housing.

Provided below is a detailed description of one of Dulles Gateway Center – Phase II's greatest competition. The property is known as Dulles View. This property is being

developed by Chicago based developer, Fifield Companies. They are seeking high-end tenants willing to pay extra for high-end amenities and features.

PROJECT AMENITIES
Visitor surface parking: 123 spaces including 4 handicap van spaces. Structured parking: 1,243 spaces in a 5-level deck
Parking ratio: approximately 3.8 spaces per 1,000 rentable square feet
Off-street loading: 4 spaces per building
Landscaped courtyard
Dramatic atrium connection between office towers
Conference center
State-of-the-art fitness center
Provisions for deli/café
Excellent visibility from Washington-Dulles International Airport and Route 28
Dramatic views of Dulles Airport and the Blue Ridge Mountains

GENERAL BUILDING CRITERIA
Height: 8 stories
First Floor: 15,210 rentable square feet
Typical Floors 2-7: 22,321 rentable square feet
Eighth Floor: 21,411 rentable square feet
Typical Bay: 30' x 38'
Core to exterior wall approximately 46'
Typical floor-to-floor height: 11' 8" and 11'0 at structural drops
Typical floor-to-finished ceiling height: 9' 0"
First floor-to-floor height: 14' 4"
Lobby floor-to-ceiling height: 11'6"
First floor tenant ceiling height: 9' 0" with option to increase height to 10' 0" or more.
5' space planning module

EXTERIOR BUILDING FINISHES
Window Walls: Green tinted low-e insulated vision glass with accent bands of green reflective spandrel glass with natural anodized aluminum mullions.
Atrium: Green tinted low-e insulated vision glass at vertical glazing, laminated green tinted low-e insulated vision glass at horizontal glazing with optional frit or internal louvers to reduce solar heat gain.
Exterior Walls: Architectural precast panels in simulated light buff limestone finish with polished granite wainscot.
Arcade and Entrance: Architectural precast columns with a polished granite wainscot & accents. Polished stainless steel mullions, entry door frames and hardware.
Penthouse: Centria metal panel system with deep horizontal profiles with silver metallic coating. Top of penthouse capped with a metal communications spire.

MAIN LOBBY FINISHES
Floors: Cut stone.
Walls: Millwork panel wall system with painted drywall.
Ceilings: Painted drywall ceiling and reveals with polished stainless steel ornamental light fixtures.
Elevator Entry: Etched stainless steel elevator doors and satin finish stainless steel frames and accessories.
TYPICAL FLOOR FINISHES
Restrooms: Ceramic tile floors and wet walls, polymix finish on other walls with 2'x2' acoustical ceiling tiles. Polished granite lavatory countertops and brushed stainless steel faucets. Painted metal floor mounted toilet partitions.
Corridors and Lobbies: High-quality commercial carpet on floors, vinyl wall covering with wood base on walls and 2'x2' acoustical tile ceilings. Core service doors to be 6'-8" high solid core wood doors with steel frames. Tenant entry doors to be full height solid core wood doors and wood frames. All door accessories to be stainless

ELEVATORS
System: Four elevators of 3,500 lb. capacity and 350 f.p.m. geared traction design per building. One elevator is designated to be a passenger/service "swing" cab with 4,000 lb. rating.
Cab Finishes: Combination of polished and brushed stainless steel panels on front walls, ceilings, doors and frame. Architectural millwork with stone wainscot on side and rear walls. Terrazzo floor in two colors to match building lobby flooring.
STRUCTURAL SYSTEMS
Framing: Long span post-tensioned concrete
Bay Sizes: 30' x 38' typical

Loading: 100 lbs. (80 lb live load plus 20 lb dead load) Additional load capacity possible within 20 feet of the building cores.

ELECTRICAL

Tenant power and lighting: 4.5 watts/SF
HVAC: 8 watts/SF
Emergency Power: 250kw Emergency generator in each building for life-safety systems.

HVAC Building: Self-contained on-floor condenser water cooling units connected to a two-cell rooftop cooling tower. Average 26,100 C.F.M. of cooling. Provision for additional tenant cooling tower cell.

Typical Floor: Main feeder loop installed with connections to V.A.V. boxes on typical floors (all provided by Landlord). Six VAV boxes are installed, the remainder stacked on each floor.

COMMUNICATIONS

COX and Verizon internet/fiber optics providers are available at the site. Verizon switching station located within 500'. WI-FI in first floor common area.

PLUMBING & FIRE PROTECTION

The office building is fully protected with a wet pipe sprinkler system tied to an electronic monitoring system located in the Fire Command Room located adjacent to the main building lobby.

SECURITY SYSTEM

Card readers located at all building entries and the loading dock.

Sales Comparables

The following chart provides recent Office Sales comparables from data sourced from Real Cap Analytics. The highest per foot sale was Monument II trading at $381 psf. Several properties traded at a 5.80% cap rate with a two properties trading at or above 7.00% Totaled together, these properties traded at an average of $295.14 psf and on a non-weighted average of a 6.24% cap rate.

Date	Property Name	Address	City	ST	Year Built	Square Feet	Occupancy	Close Price	Q1	$/Unit	Cap Rate	Q2
6/4/2007	Worldgate Plaza I-IV	12801 Worldgate Dr	Herndon	VA	1999	322,325	94%	$108,873,000	c	$338	6.00%	q
4/24/2007	Monument III	12930 Worldgate Dr	Herndon	VA	2006	193,138	97%	$54,717,500	c	$283	6.00%	q
4/11/2007	11111 Sunset Hills	11111 Sunset Hills Rd	Herndon	VA	2000	222,444	100%	$73,934,108	c	$332	6.20%	u
4/2/2007	Avion Lakeside A & D	14555 & 14585 Avion Pkwy	Chantilly	VA	1989	115,839	87%	$26,450,000	c	$228	6.20%	u
3/1/2007	Monument II	12950 Worldgate Dr	Herndon	VA	2000	205,000	95%	$78,200,000	c	$381	6.60%	q
2/22/2007	14700 Lee Rd	14700 Lee Rd	Chantilly	VA	2000	84,652	100%	$26,250,000	a	$310	6.40%	u
2/22/2007	Sherwood Plaza	9990 Lee Hwy	Fairfax	VA	1985	92,960	100%	$21,400,000	a	$230	5.90%	u
1/31/2007	Centerpoint I & II	4000-4050 Legato Rd	Fairfax	VA	1990	408,000	99%	$115,500,000	c	$283	5.80%	q
1/31/2007	Fair Oaks Plaza	11350 Random Hills Rd	Fairfax	VA	1985	177,642	94%	$51,000,000	c	$287	5.80%	q
1/18/2007	Northridge I	13221 Woodland Park Rd	Herndon	VA	1988	126,080	94%	$33,700,000	c	$267	6.30%	u
12/15/2006	Greenbriar Corporate Ctr	13135 Lee Jackson Hwy	Fairfax	VA	1986	111,721	90%	$21,400,000	c	$192	6.80%	u
11/16/2006	Plaza Ridge I at Woodland Park	2251 Corporate Park Dr	Herndon	VA	2000	158,016	100%	$59,000,000	c	$373	6.80%	q
10/3/2006	10089 Fairfax Blvd	10089 Fairfax Blvd	Fairfax	VA	1986	33,229	100%	$8,500,000	c	$256	7.30%	u
9/11/2006	Atrium at Worldgate	13800 Coppermine Rd	Herndon	VA	2000	129,369		$27,810,000	a	$215	5.80%	q
9/11/2006	Dulles Park Technology Ctr	2180 Foxmill Rd	Herndon	VA	1999	181,000	70%	$48,300,000	c	$267	7.00%	pf
9/7/2006	VM Software Bldg	1800 Alexander Bell Dr	Herndon	VA	1986	138,450	100%	$33,475,000	c	$242	5.80%	u
9/6/2006	Dulles Park Technology Ctr	13461 Sunrise Valley Dr	Herndon	VA	2000	181,154	70%	$48,300,000	c	$267	6.10%	py
7/28/2006	Dulles Executive Plaza I&II	13530 Dulles Technology Dr	Herndon	VA	2001	379,596	91%	$125,100,000	c	$330	6.00%	u
7/2/2006	Fair Lakes Business Park	12500 Fair Lakes Cir	Fairfax	VA	1986	1,252,219	100%	$370,000,000	c	$295	5.80%	q

Q1: Qualifier (c=Confirmed, a=Approximate)
Q2: Qualifier (py=Prior Year, pf=Pro Forma, q=Quoted, u=Underwritten)
Source: Data abstracted from Real Cap Analytics - Office VA Suburban Cap Rates August 2007

Office Land Sale Comparables

The following is a sample of land for sale from the CoStar database.

Building Address	City	For Sale Price	Land Area	Price PSF	Submarket Name	Zoning
Rt 50	Chantilly	$ 15,000,000	17.2	$ 20.02	Route 28 Corridor South	CLI
John Mosby Hwy @ Route 50	Chantilly	$ 13,000,000	13.4	$ 22.27	Route 28 Corridor South	CL1
15900 Lee Hwy	Centreville	$ 12,000,000	12.49	$ 22.06	Route 28 Corridor South	I-6
4175 Stonecroft Blvd	Chantilly	$ 7,300,000	9.86	$ 17.00	Route 28 Corridor South	I-5
Sunset Hills Rd @ Fairfax County Pky	Reston	$ 5,000,000	4.5	$ 25.51	Herndon	PD-IP
14834 Murdock St	Chantilly	$ 2,750,000	3.411	$ 18.51	Route 28 Corridor South	I-3
14847 Murdock St	Chantilly	$ 2,250,000	3.082	$ 16.76	Route 28 Corridor South	

Marketability and Conclusions

Oversupply

If there is one word to describe the current market for Dulles Gateway Center it is Oversupply. Despite the continued Employment Growth of Fairfax County it is easily seen Development Growth has won the race. This is not so good news for developers and good news for those tenants which either need to renew their leases or are seeking new office space.

The main factors which may have contributed most to the current state of oversupply in the Dulles submarket include the previously strong debt market and well funded equity capital funds which pushed a wave of office development based employment growth forecasts which have now been revised downward. These market circumstances has left a wake of significant inventory of office product sized up with more than 4,000,000 SF potentially vacant between now and the end of 2008.

Our models and data show from 2010 to 2015 there will be 13,416 new jobs with 52.3% using office space creating a Total Gross Market Office Demand of 1,754,142 SF. What is disconcerting is based on current absorption rates there would be over 3,000, 000 SF already still left to be absorbed by the time of 2010.

If we looked to develop the property to eventually sell in the near term it is a huge risk to assume there would be many buyers readily seeking to jump into this market. We identified properties selling anywhere from $200 to 380 psf. And, while many properties traded at a 5.80% cap rate, some traded as high as a 7.00% cap rate. It is easy to surmise with the growing vacancy rates within this market it will become increasingly harder to continue to demand and use lower cap rates when selling or underwriting the product for debt. This will also likely translate in lower value in the underlying property unless the land itself can be rezoned or repurposed for a more use more lucrative than the current office development model.

Our recommendation at this time is to continue to ride out the current market storm and allow for absorption of existing product.

V. DEVELOPMENT ISSUES

This section will address issues related to the development of the project.

Adequate Public Facilities (APF)

Recreational Facilities

Based on the developers prior experience with building Dulles Gateway Center – Phase I it is not anticipated recreational facility proffers will be needed. Should this project been of a residential use the situation may be different. As uncovered during conversations with Kettler, there were earmarks for a soccer field and recreational park within their development proposal.

Schools

The proposed Dulles Gateway Center -- Phase II is an office building. The project is not anticipated to increase the student capacity needs of Fairfax County.

The following article excerpt from the Examiner.com provides a background on Fairfax County schools:

> "Enrollment in Fairfax County schools this fall is expected to see only a small increase over the last year, part of a years-long trend of flattening growth in student population that contrasts sharply with the booms of the county's outlying neighbors. Fairfax expects to have 164,490 students in its system this school year, a fewer than 1 percent increase over last year's 163,593. In fact, Fairfax's enrollment has been essentially flat since 2003. Officials say the trend is, in large part, due to a shrinking supply of buildable land that is constraining large-scale residential growth in Virginia's most populous county, which is also by far the commonwealth's largest school district. "The county has basically been built out," School Board Chairman Dan Storck said. "We don't have very much in the way of open space any more to build tracts of housing." Also, Storck said, high housing prices have kept many younger families from moving in, leaving Fairfax with an increasingly aging population that isn't putting large numbers of new students into the system. The rapid growth Fairfax County's student body once saw appears to have shifted, however, to Loudoun and Prince William counties."[xliii]

The following chart lists the three closest public schools from the site.

Schools	Name	Address	Distance *
Elementary School	FLORIS	2708 CENTREVILLE RD	0.81
Middle School	CARSON	13618 MCLEAREN RD	1.12
High School	WESTFIELDS	4700 STONECROFT BV	4.09

* The distances reported are the shortest straight line distance between the address being reported on and the facility in miles. These distances may vary, sometimes significantly, from the actual distance as traveled by car.

Additional Local School Detail:

The following information is a reference to a recent study provided in support of a neighboring properties rezoning application. It is for information only purposes to provide a perspective of the local school capacity. Again, it is not believed at this time based on discussions with the existing owner's prior experience with development of Dulles Gateway Center Phase I any related proffers would be needed for this office project.

Existing R-1 zoning would permit by-right development of approximately 41 single family homes given that approximately a third of the site is situated in a floodplain and is considered non-buildable. If the site were to develop under the existing zoning, the 41 single family homes would result in approximately 20 students. If residential use is allowed on this site as proposed, and assuming that 50 percent, or approximately 250 units are limited to senior residents, approximately 20 students would be generated in the affected school pyramid. These students are not included in the projected enrollments shown below. Enrollment at Floris Elementary School currently exceeds the school's capacity by about 45 students and is projected to be almost 85 students over capacity by the 2010-11 school year. Floris is currently using seven temporary classroom trailers to supplement capacity. A new elementary school is scheduled to open in this area in 2009/2010 which is expected to reduce crowding at the primary school level. The new school is not factored into the table shown below.

Enrollment at Carson Middle School is about 167 students below capacity this year. Projections indicate middle school enrollment will remain about 136 students below capacity by the 2010-11 school year. Enrollment at Westfield High School currently exceeds capacity by 97 students. Current projections indicate enrollment will decline steadily over the next several years, and will be 299 students under capacity for the 2010-2011 school year. Westfield recently added 24 permanent classrooms, bringing the capacity to 3100 students.

School capacity projections do not account for the students that could be generated by developing or adding optional residential uses to the Comprehensive Plan for this area. There is also the potential under the current Plan for over 2,600 new residential units in Land Unit A to the north, which is also served by the same cluster of schools serving Land Unit D-1. Based on the existing and projected school capacities identified, adding an option for residential use in Land Unit D-1 would not significantly impact the schools that serve this site. However, given the cumulative affect of other pending and future residential development in this area, mitigating school impacts should be sufficiently addressed in the development review process. [xliv]

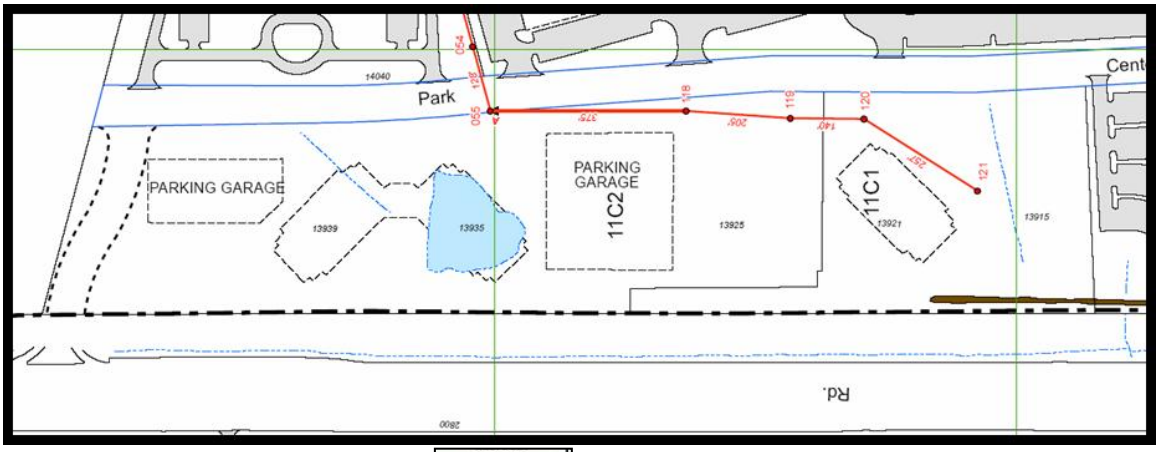
Enrollment and Capacity of Schools Serving the Subject Properties

SCHOOL	CAPACITY*	2006-07 Memb.*	Memb/Cap Difference 2006-07	2010-11 Memb.*	Memb/Cap Difference 2010-11
Floris (K-6)	768	813	-45	853	-85
Carson (7-8)	1250	1083	167	1114	136
Westfield (9-12)	3100	3197	-97	2801	299

Note: A new elementary school scheduled to open in 2011 was not considered in this calculation.
*Source: Fairfax County Public Schools, FY2009– FY 2010 Facilities Planning Services Office Enrollment Projections

Sewer

The subject site is already served by a Fairfax County Sanitary Sewer "gravity" line. This sewer line is seen depicted below by a red line. The red dots are locations of manholes. The map below is an excerpt from the Fairfax County Sanitary Sewer Map 24-2. The two parking garage structures and two buildings on the left side do not exist today. Construction of Dulles Gateway Center Phase II would be between the depicted Parking Garage in the center of the map below and the existing office structure on the right. Therefore, it is anticipated additional sewer connections would be needed at minimum for DGC Phase II. And, any future DGC Phase III and IV improvements on the left side of the map below would require additional sewer line installments. 11C1 and 11C2 are tax lot reference #'s. The property is located within the Horsepen Creek (A-1) sewershed area.




SANITARY SEWER MAP
24-2
Revised to : 03 - 24 - 2007

Fire and Rescue Department Analysis

The following information provides information on the nearest police and fire department stations. It is unknown at this time if proffers will be needed to support these functions.

Public Safety	Name	Address	Distance *
Police District Station	FAIR OAKS DISTRICT PD	12300 LEE JACKSON MEMORIAL HY	5.61
Fire Station	FIRE STATION 36	2660 WEST OX RD	0.79

* The distances reported are the shortest straight line distance between the address being reported on and the facility in miles. These distances may vary, sometimes significantly, from the actual distance as traveled by car.

Water Service Analysis

The site is currently served by Fairfax County Water Authority (FCWA). The existing site plan states the FCWA has a 12" water main into the site. While DGC Phase II will be connected to existing DGC Phase I it is assumed additional water main connections will be needed to support user water and fire department requirements. Water Authority Notes from the 1995 Site Plan sheet states "the property described on this plan is located where the water pressure will exceed 80 P.S.I. in accordance with the FCWA rules and regulations and the Fairfax County Plumbing Code a pressure regulation valve must be installed by the property owner in the building plumbing system in order to eliminate water hammer and unnecessary wastage of water." One advantage already in place is the existing easements which FCWA already has to serve the site.

A June 2007 annual report by the Fairfax Water Authority advises there have been no concerns for water quality in the county this past year. For more information and a copy of the report, visit: http://www.fairfaxwater.org/water/water.htm An excerpt from this year's 2007 report states "Fairfax Water draws surface water from two primary sources: the Potomac River and the Occoquan Reservoir, which is fed by the Occoquan River. Our treatment facilities are located at opposite ends of Fairfax County and feed an interconnected distribution system. The James J. Corbalis, Jr. Treatment Plant, located at the northern tip of our service area, draws water from the Potomac River. The Occoquan Reservoir, on the southern border of Fairfax County, supplies the Frederick P. Griffith, Jr. Treatment Plant near the Town of Occoquan."

Traffic

We anticipate the need to perform a traffic analysis study with Traffic Calculations ITE trip generation to determine what the increased office space of DGC – Phase II will potentially create for the surrounding road system. The Park Center Road right-in, right-out is a temporary access means to Route 28/Sully Road. Per the Site Plan notation, per agreement dated May 22, 1985, Prior to site plan approval for each subsequent phase of development shown on site plan 4894-SP-05, VDOT, in conjunction with the applicant or assigns and the county will review and exercise their rights to closure of said temporary entrance in accordance with the agreement and deed of easement. Additionally, prior to site plan approval for Phase II on the subject site the owner or assigns will conduct a traffic count a the route 28/temporary park center drive location and assess the adequacy of the acceleration and deceleration lanes on northbound Route 28 . This analysis will be certified by a professional engineer and submitted to the Virginia Department of Transportation and Fairfax County for review.

Easements

The property has several easements which at this time do not indicate any significant concerns which would impact development. The easements which exist include agreements with the utilities to provide existing and future services.

VEPCO and Columbia Natural Gas have easements along the western side of the property. A Storm Water Pond easement exists on the properties southwestern corner. This pond is connected with a Storm Drain easement which goes along the southern border of the property. Fairfax County Water Authority has a 15’ easement which matches the properties proposed office site plan. A temporary turnaround easement was granted to the county at the northeastern most corner of the property so snow trucks could turnaround in case the Park Center Road 70’ temporary road easement along the northernmost section of the property was inaccessible.

Land Use Regulations

It is our preliminary finding the project as we have planned conforms to the land use regulations without need of request for a variance or rezoning. However, as we will discuss later, there is a need for Special Exception approvals and additional review of overlay district zone regulations.

The subject site is zoned Fairfax County I-5 (General Industrial District). The property is also located in the Route 28 Tax District. The subject property is grandfathered with a 1.0 FAR by right since the site zoning was 1.0 FAR prior to the creation of the Route 28 Tax District Historical rezoning for the site include: RZ C-417 rezoned the southern portion of the lot to the I-L, District with proffers. Through the implementation of the current Zoning Ordinance on August 14, 1978 the entire lot was rezoned the I-5 District. Per letter dated May 10, 2006, from Margaret E. Stehman, Senior Assistant to the Zoning Administration (Waiver Letters, Sheet No. 224, Project/File No. 5464). Additional information on the rezoning from RE01 District to I-L District may be found in Proposal No. 74-2-021 dated April 2, 1976.

The Minimum lot area is 20,000 S.F. and the Minimum lot width is 100 feet both of which the subject property meets.
The maximum building height is 75 feet.
Maximum building height: 75 feet, subject to increase as may be permitted by the Board in accordance with the provisions of Sect. 9-607
Minimum yard requirements

A. Front yard: Controlled by a 45° angle of bulk plane, but not less than 40 feet
B. Side yard: No Requirement
C. Rear yard: No Requirement

Maximum floor area ratio: 0.50, provided however, an increase to 1.00 may be permitted by the Board in accordance with the provisions of Sect. 9-618
Refer to Sect. 13-301 for provisions that may qualify the minimum yard requirements set forth above.

Open Space: 15% of the gross area shall be landscaped open space
Additional Regulations
1. Refer to Article 2, General Regulations, for provisions which may qualify or supplement the regulations presented above.
2. Refer to Article 11 for off-street parking, loading and private street requirements.
3. Refer to Article 12 for regulations on signs.
4. Refer to Article 13 for landscaping and screening requirements.
Per Article 13-201 states the Interior Parking Lot Landscaping must require 5% of the interior of the parking lot must be landscaped.

Per Article 13-401 Tree Cover Requirement Standards, properties in Commercial and Industrial Zoned districts are required to have 10% tree cover.
5. Refer to Article 17 for uses and developments which are subject to site plan provisions.

We anticipate the need to work closely with our architect to ensure compliance with the FAR Part 71 and Fairfax County Board of Supervisor standards with respect to zoning standards and regulations pertaining to the Dulles International Airport. The following information below provides more detail on the airport related regulations.

Height Limits Near the Airport

Allowable Height of Structures in the Vicinity of Dulles Airport The Federal Aviation Administration (FAA) has established criteria for formal notice to FAA of certain proposed construction or alterations of structures near airports. It also has established standards in what are commonly known as the FAA Part 77 regulations, for determining what may be obstructions in navigable airspace. Once an obstruction has been identified, the FAA will undertake an aeronautical study to determine whether the structure will have a substantial adverse effect on the safe and efficient utilization of the airspace--i.e., whether the structure would be deemed a hazard to air navigation. It is the policy of the Board of Supervisors not to permit the erection of structures which have been determined by FAA to pose a hazard to air navigation. It is further the policy of the Board of Supervisors to carefully evaluate all proposed structures which, if constructed, would constitute an obstruction (as defined by an application of FAA Part 77 obstruction standards to Dulles International Airport's facility configuration, technical characteristics, and surrounding terrain). In order to implement these policies, the public is advised to undertake official notification of the FAA Regional Office of the proposed construction of any structure meeting any of the following criteria: 1. The construction or alteration will be more than 200 feet in height above ground level at its site; 2. The construction will be in an instrument approach area, available information indicates it might exceed an obstruction hazard standard, and the FAA makes a specific request for notice; or 3. The construction penetrates an imaginary surface that extends outward and upward from the nearest point of the runway at a 100:1 slope, for a distance of 20,000 feet. In order to further implement the policies of the Board of Supervisors, the County will utilize FAA's obstruction standards, as applied to Dulles Airport and contiguous land, as guidance in making its own determinations as to the allowable height of structures. The three relevant obstruction standards are (i.e., an obstruction will be found if it is higher than any of the following): 1. A height of 500 feet above ground level at the site; 2. Two hundred feet above ground level or the "established airport elevation" (312 feet), whichever is higher, within three nautical miles of the "established reference point" (near the bottom of the westerly north-south runway, 19R-1L), with that height increasing 100 feet for each additional mile from the reference point up to a maximum of 500 feet; or 3. An imaginary surface, 1,000 feet wide, extending from the end of the runway, at a slope of 50:1, for 10,000 horizontal feet, and at 40:1 for an additional 40,000 horizontal feet, with its outermost edge being 16,000 feet wide. It should be noted that the standards presented here are simplified from FAA's Part 77 regulations. There are "imaginary" or geometric surfaces described in the regulations that apply in the analysis for the potential for obstruction, and the piercing of any of these surfaces by a structure will cause a finding that such is an obstruction. Whether an actual hazard is created will still remain within the purview of the FAA.[xlv]

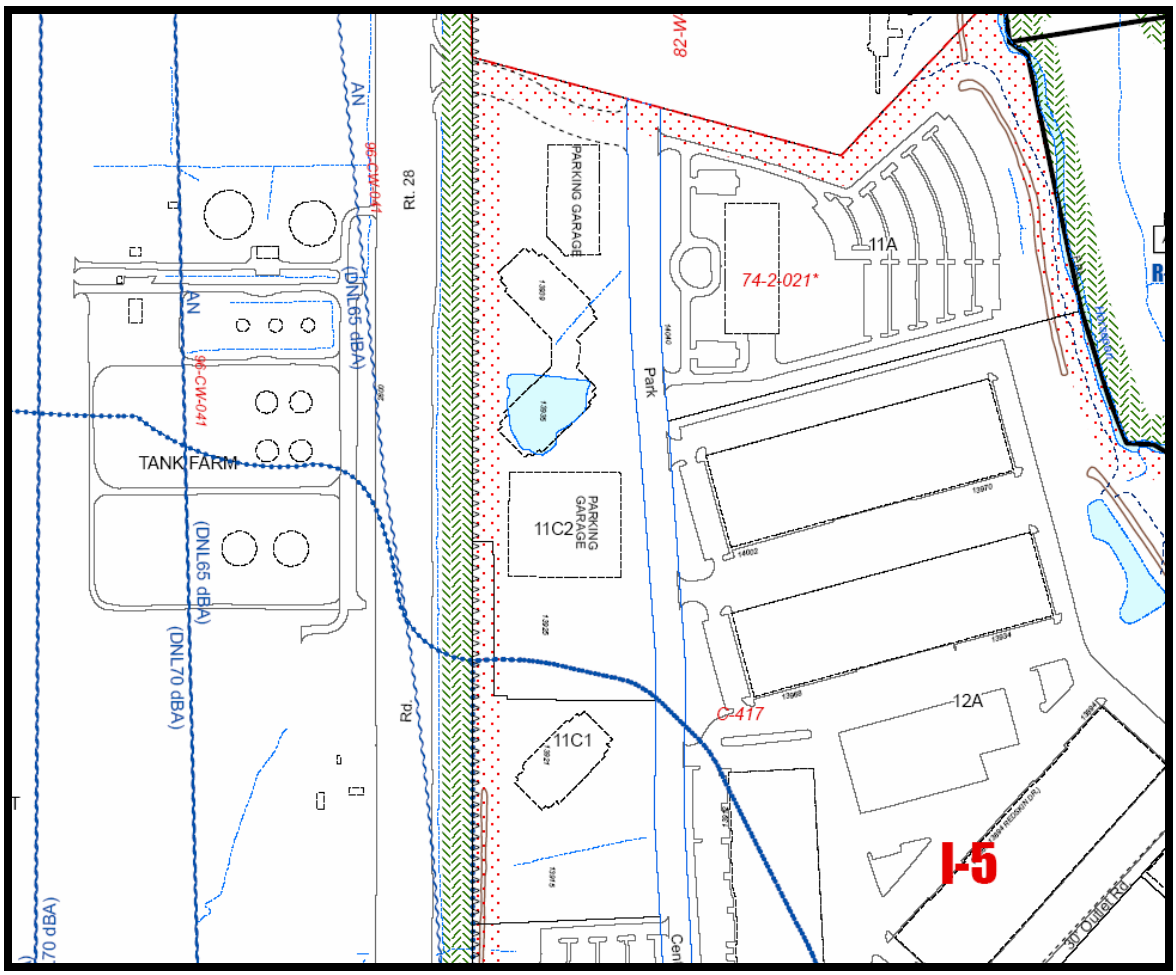
Environmental Issues

Tree Cover

The site currently has limited existing tree cover other than what has already been part of the requirements of DGC Phase I development. It is anticipated some landscaping of DGC Phase I development may be shared in the calculations of what will be needed when DGC Phase II is complete.

Noise

The following chart is the revised noise contour lines. There are three blue lines which run top to bottom with the corresponding decibel zones of 70dBa and 65dBa. There is a fourth blue line which runs left to right. This line does run across the DGC Phase II property.

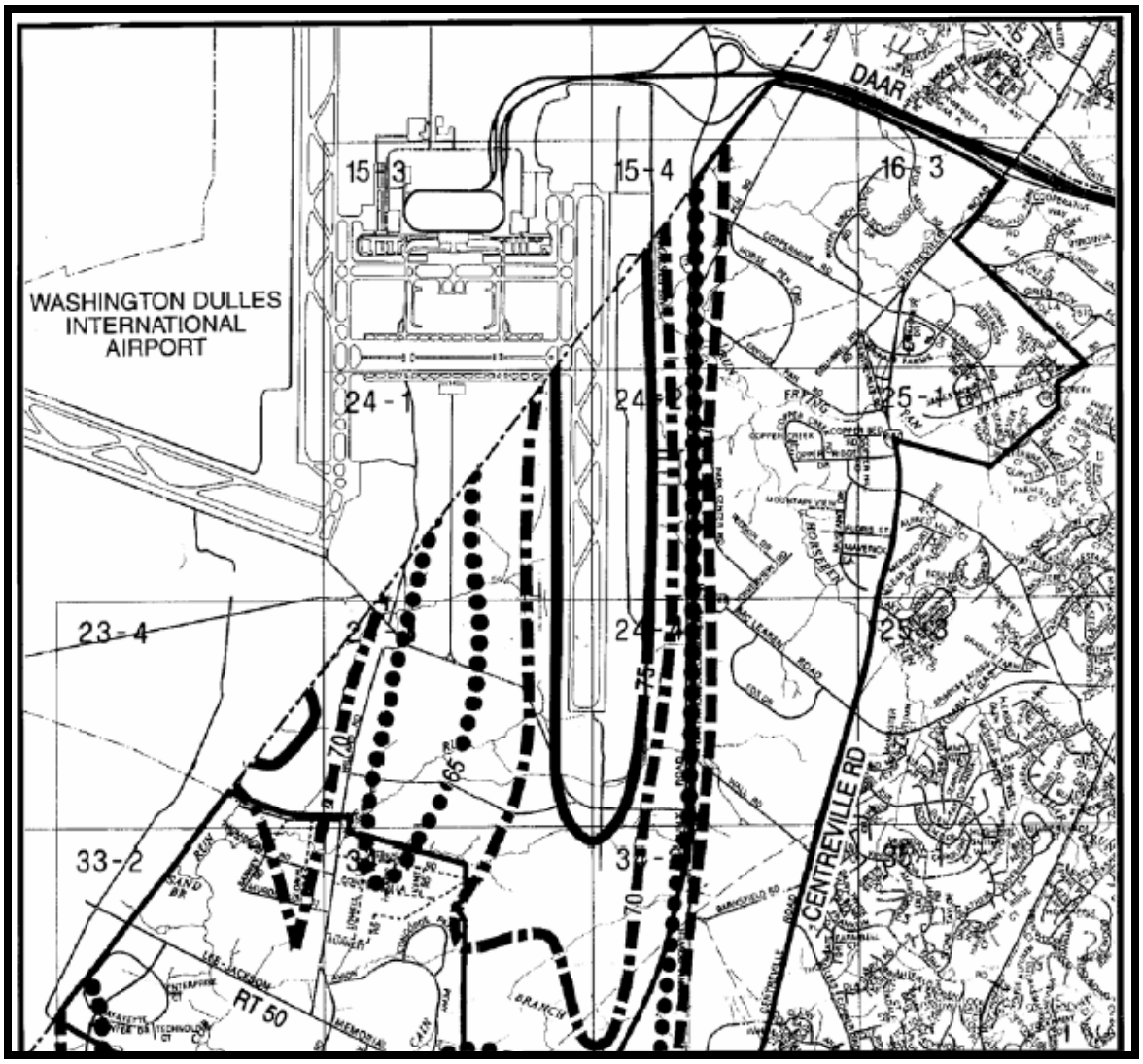


The subject site used to be impacted by the Airport Noise Impact Overlay District. This was prior to Rezoning Case 1996-CW-041, Comprehensive Plan Amendment S96-CW-4CP and Zoning Ordinance Amendment to Articles 7, 15 and 20. Essentially, airport noise contour lines used to cross the subject site.

We will need to revisit with our architect and engineers to ensure compliance with the building design. We will also look to interview and survey the tenants of DGC – Phase I to get there perspective of how the design of this building has been effectively or has areas of improvement to deal with the sound impact of the airport.

The following section provides detailed information on the Airport Noise Impact Overlay District.

Airport Noise Much of the Dulles Suburban Center is included within the Airport Noise Impact Overlay District (ANIOD) of the Zoning Ordinance. The ANIOD was established to ensure the achievement of interior noise guidelines suggested within federal noise compatibility documents for residential and other uses that are constructed within ANIOD and to prohibit residential and certain other noise sensitive uses from areas subject to particularly severe impacts from aircraft noise. While new residential development is permitted within ANIOD, such development is not recommended in areas with projected aircraft noise exposures exceeding DNL 60 dBA. Where new residential development does occur near Washington Dulles International Airport, disclosure measures should be provided. Figure 6 presents a map of the Dulles Airport noise contours as they relate to the boundaries of the Dulles Suburban Center. The DNL 65 dBA, DNL 70 dBA, and DNL 75 dBA contours reflect the greatest extent of these contours as displayed on several noise contour maps within the March, 1993 Addendum: FAR Part 150 Noise Compatibility Program, Washington Dulles International Airport prepared for the Metropolitan Washington Airports Authority (MWAA). The DNL 60 dBA contour was taken from the long-term potential DNL 60 dBA contour map provided to the County by MWAA. A more extensive discussion of noise compatibility planning and Dulles Airport noise impacts is contained in the Area Plan Overview for Area III under the heading "Land Use Planning Within the Dulles Airport Noise Impact Area."[xlvi]



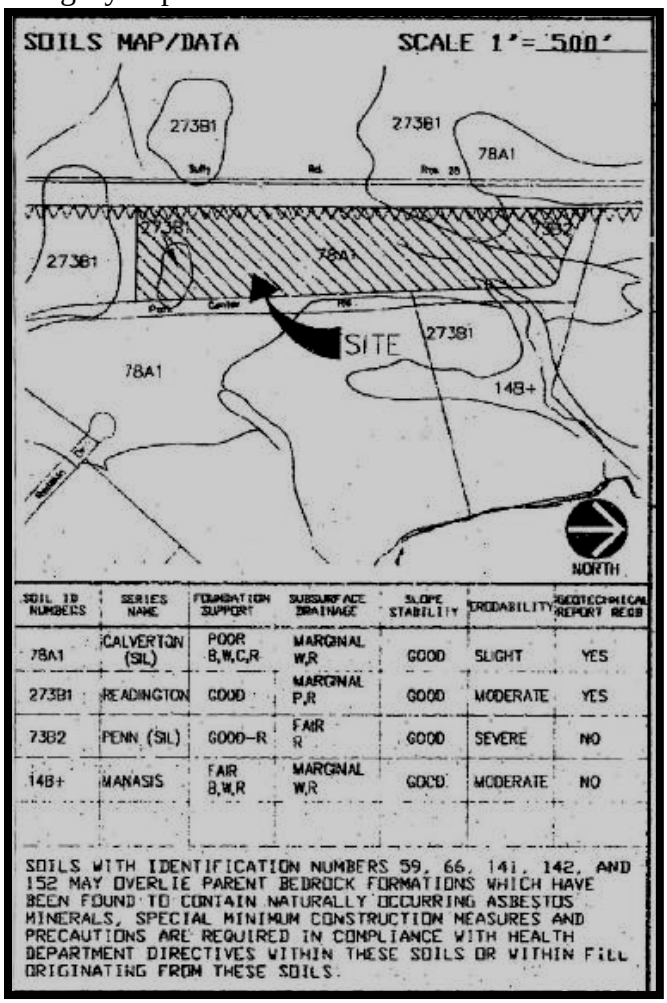
Land Use Planning within the Dulles Airport Noise Impact Area Due to the location of runways, the type and frequency of various aircraft using the airport, as well as airport operating procedures, portions of Fairfax County in the vicinity of Dulles Airport are either currently, or are projected to be, subjected to levels of aircraft noise which may be incompatible with residential development and other noise sensitive land uses. Considerable research has been done to determine to what extent there is a direct relationship between periods of exposure to certain levels of noise (particularly aircraft noise) and identifiable, adverse effects on people. The effects of noise have been researched and while complete causal relationships have not been definitively established for nonauditory effects, empirical observation has documented that noise can affect exposed individuals indirectly by disturbing the general environment in which they live. Federal agencies with noise mitigation planning responsibilities have worked with the health community to establish maximum acceptable levels of exposure (Guidelines for Considering Noise in Land Use Planning and Control). These guidelines, expressed in terms of sound pressure levels, are: DNL 65 dBA for outdoor activity areas, DNL 50 dBA for office environments, and DNL 45 dBA for residences, schools, theaters and other noise sensitive uses. While the federal guidelines consider all land uses to be compatible with noise levels below DNL 65 dBA, they are not

proscriptive as they relate to local land use decisions. Further, it is known that adverse noise impacts can occur at levels below DNL 65 dBA and that there may be variability among communities in responses to such noise. A zoning overlay district (the Airport Noise Impact Overlay District) has been established to require noise mitigation for those noise sensitive uses that are established in the impacted area. Fairfax County has delineated the boundaries of the Airport Noise Impact Overlay District based on the noise contour maps provided by the Metropolitan Washington Airports Authority (MWAA). There are several reasons for the selection of the noise exposure contours provided by MWAA: 1. These contours represent the latest, best available and most appropriate noise impact assessment contours for land use planning purposes. They have been developed by MWAA through the use of the Federal Aviation Administration's Integrated Noise Model, using information and projections regarding the locations of average flight tracks, the frequency of use of each runway and average flight track, aircraft operating procedures, and average number of daily operations by type of aircraft and time of day. 2. Assumptions regarding future airport improvements (e.g. additional runways) and projected airport operations that were used in the determination of MWAA's noise contour maps most realistically reflect MWAA's goals for Dulles Airport expansion. This permits a full examination of the implications of Dulles Airport expansion as envisioned by its proprietor and does not prematurely place the County in the position of implicitly recommending the curtailment of the Dulles Airport expansion. 3. The noise contour maps provided by MWAA are based on the most current information regarding aviation activity forecasts; they consider existing operations and projected operations through the year 2000 and beyond. This timeframe represents the longest planning period considered in the development of the set of contours presented. Land use planning considerations based on the set of contours developed by MWAA will provide for the highest level of protection of the public health, safety and welfare based upon the most current, best available information. Recognizing that the objective of the County is to minimize to the fullest extent the potential for adverse aircraft noise impacts upon its citizens, the County has selected noise contours which consider both existing conditions, near-term future projected conditions, as well as ultimate "potential" conditions which reflect the long-term potential Dulles Airport activity level. As new appropriate noise contours become available, this information will be brought before the Board of Supervisors so that appropriate modifications can be made, if necessary, to the Comprehensive Plan to reflect the most recent and most appropriate delineation of the Dulles Airport Noise Impact Area to which land use compatibility policies will be applied. Figure 4 illustrates the updated noise contours for Dulles International Airport. The DNL 65 dBA, DNL 70 dBA, and DNL 75 dBA contours reflect the greatest extent of these contours as displayed on several noise contour maps within the 1993 Addendum. The DNL 60 dBA contour was taken from a long-term potential DNL 60 dBA contour map provided to the County by MWAA. Related to these contours are the land use compatibility guidelines set forth in Table 2. This table establishes the basis for land use decisions within the designated Dulles Airport Noise Impact Area. In general, the basis for the land use compatibility guidelines outlined in Table 2 can be found in existing federal guidelines. The Department of Housing and Urban Development (HUD) in Noise Abatement and Control Standards (Circular 1390.2, August 4, 1971), and the Federal Interagency Committee on Urban Noise in Guidelines for Considering Noise in Land Use Planning and Control (1980) have published noise compatibility guidelines to encourage land utilization patterns for housing and other municipal needs in noise-impacted areas. These guidelines have been applied within Federal Aviation Regulations and have been affirmed within a 1992 report issued by the Federal Interagency Committee on Noise. They are intended to separate uncontrollable noise sources from residential and other noise-sensitive areas. While the federal guidelines consider all land uses to be compatible with noise levels below DNL 65 dBA, they have been developed to guide federal noise compatibility efforts and are not proscriptive as

they relate to local land use decisions. Further, it is known that adverse noise impacts can occur at levels below DNL 65 dBA and that there may be variability among communities in responses to such noise. As a result, and because recreation areas cannot be screened from aircraft noise, in order to avoid exacerbating noise and land use conflicts and to further the public health, safety and welfare, new residential development is not recommended in areas with projected aircraft noise exposures exceeding DNL 60 dBA. Where new residential development does occur near Washington Dulles International Airport, disclosure measures should be provided.[xlvii]

Soils

Research using existing soil analysis is provided in the chart below. This is excerpted from the existing on record county site plan. Further details on each of the 3 predominant soils from the Fairfax County website are also provided below. Based on the information we have so far we recognize the need to have additional geotechnical engineers retained to better estimate the potential site work costs to build the parking garage and DGC – Phase II. We are especially concerned if the architectural concept plan is to connect DGC Phase I and II together we want to ensure long-term structural integrity to prevent differential settlement



SOIL ID NUMBERS	SERIES NAME	FOUNDATION SUPPORT	SUBSURFACE DRAINAGE	SLOPE STABILITY	ERODABILITY	GEOTECHNICAL REPORT REQD
78A1	CALVERTON (SIL)	POOR B,W,C,R	MARGINAL W,R	GOOD	SLIGHT	YES
27381	READINGTON	GOOD	MARGINAL P,R	GOOD	MODERATE	YES
7382	PENN (SIL)	GOOD-R	FAIR R	GOOD	SEVERE	NO
148+	MANASIS	FAIR B,W,R	MARGINAL W,R	GOOD	MODERATE	NO

SOILS WITH IDENTIFICATION NUMBERS 59, 66, 141, 142, AND 152 MAY OVERLIE PARENT BEDROCK FORMATIONS WHICH HAVE BEEN FOUND TO CONTAIN NATURALLY OCCURRING ASBESTOS MINERALS. SPECIAL MINIMUM CONSTRUCTION MEASURES AND PRECAUTIONS ARE REQUIRED IN COMPLIANCE WITH HEALTH DEPARTMENT DIRECTIVES WITHIN THESE SOILS OR WITHIN FILL ORIGINATING FROM THESE SOILS.

"According to the Fairfax County soils map, the majority of the site consists of Calverton and Penn (sil), the erosion potential for these soils is slight, moderate and severe." Per Sediment and Erosion control details and notes Project/File No. 5464, Sheet 8, Rev: 3/29/97.

(78) Calverton silt loam

This silty to clayey soil occurs in drainageways and footslopes underlain by shale. Slowly permeable subsoil clays have a medium plasticity. The seasonal high water table is 0.5 to 2 feet below the surface. Depth to hard bedrock is three to eight feet. Foundation support may be poor because of soft plastic soil and seasonal saturation. Basements below existing grade are not recommended because of potential

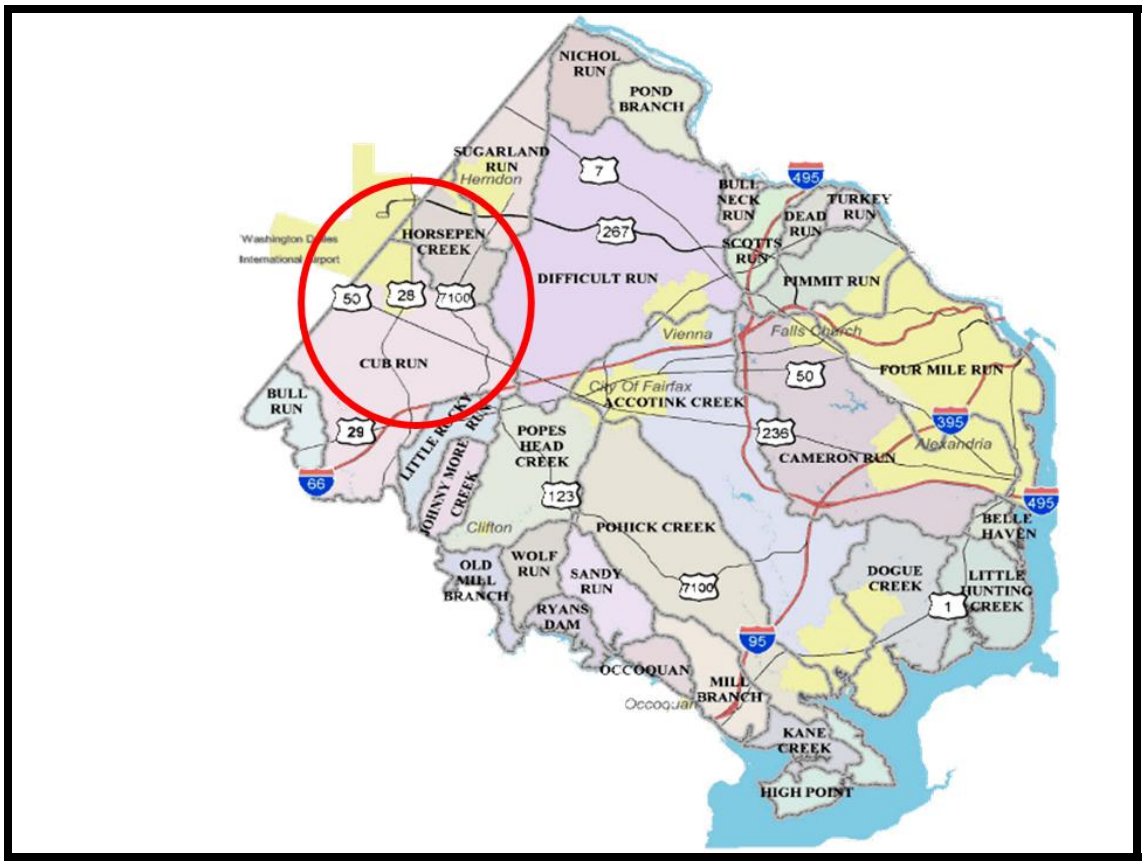
wetness problems. Engineered drainage is often needed to eliminate wet yards. Septic drainfields and infiltration trenches are poorly suited because of slow permeability, high water table, and shallow bedrock. The bedrock disintegrates rapidly, limiting its use in engineered fill, road embankment, and trench backfill.

(73) Penn silt loam
This silty soil occurs on hilltops and sideslopes over red sandstones and shales. Depth to hard bedrock is less than three feet. Permeability is moderate to moderately rapid, but may be restricted by un-fractured bedrock. Foundation support is good. Grading and drainage may be needed to prevent wet yards. Shallow bedrock may limit septic drainfields and infiltration trenches. The bedrock disintegrates rapidly, limiting its use in engineered fill, road embankment, or trench backfill. Topsoil may be needed to increase rooting depths for lawns, trees, and landscape plants.

(273) Readington
This silty and clayey soil occurs on nearly level uplands underlain by red shale and sandstone. The seasonal high water table, perched above bedrock, is 0.5 to 2 feet below the surface. The depth to bedrock is from two to three feet. Soil permeability is moderate, but the shallow bedrock has few fractures to allow water to pass through. Foundations typically extend to shallow rock. Foundation drains and waterproofing are necessary to prevent wet basements. Grading and subsurface drainage are often required to eliminate wet yards. Suitability for septic drainfields and infiltration trenches is poor because of shallow bedrock and the perched water table. Use of this bedrock as engineered fill, road embankment, and/or trench backfill is limited due to rapid disintegration. Added topsoil may be needed to provide adequate rooting depths for lawns, trees, and landscape plants.[xlviii]

Watershed

Per Fairfax County data the property covers two watershed areas. Disturbed area within watersheds includes 3.00 acres of the Cub Run Watershed and 12.44 acres of the Horsepen Creek Watershed.



Wetlands

The site drains into the Horse Pen Run Valley Stream and the Cub Run

There are no RPA's (Resource Protected Area) located on this site and this plan does not propose any encroachments into any RPA's, this plan complies fully with the amendment 118 (Chesapeake Bay Preservation Ordinance) of the code of the county of Fairfax.[xlix]

Flood zone

Per the Fairfax County records the site is not in a floodplain.

"The subject property shown hereon appears to lie in zone "x", (areas determined to be outside the 500-year floodplain) as identified on flood insurance rate map (F.I.R.M.) community-panel number 515525 0025 D, last revised March 5, 1990 for Fairfax County, Virginia (unincorporated areas).[l]

Storm Water Management

A storm water runoff off-site facility is located at 14040 Park Center Road. We will work closely with our engineers to ensure compliance with storm water management. This will need to ensure compliance with any existing SWM easements as may be impacted by the construction of the parking garage and DGC – Phase II.

Proffers

The ownership did not have to provide any proffers when building DGC – Phase I. Therefore, no proffers have been anticipated for the development of DGC – Phase II.

Processing Times and Issues

We have allocated for our model 4 months to construct the parking garage and 12 months for Dulles Gateway Center – Phase II. Further details on the development timeline may be found in Section VII Development Schedule.

Grading

The grading of the site is fairly flat other than the storm water detention pond on the vacant lot. We anticipate basic grading work will be necessary for the construction of Dulles Gateway Center – Phase II. We will engage our structural and geotechnical engineers to ensure the building is erected upon stable ground.

Rock on the Site

Rock on the site does present some concern. It is believed there is low-lying bedrock on the site. The recommendation is to have geotechnical and soil engineers perform soil borings and a site analysis to ascertain if there will be any significant bedrock which will need to be excavated during the site condition phase.

Off-Site Improvements

It is not anticipated the development of DGC Phase II will require significant off-site improvements. This is based on insight from the owner when they developed DGC Phase I.

Neighborhood Issues

No significant neighborhood issues are anticipated for the development of an office building. The Dulles Suburban Center plan calls for this type of development and use. And, unlike neighboring properties such as the Kettler/KSI owned Middleton Farms property to the north there are no residential communities which would be directly impacted by the development of DGC Phase II.

VI. DEVELOPMENT / CONSTRUCTION COSTS

Site Layout

The Dulles Gateway Center – Phase II will be a direct structural addition to Dulles Gateway Center – Phase I. In addition to the 140,616 SF Gross Leasable DGC Phase II office building structure is the construction of Parking Garage # 1 which will have 542 parking spaces. Dulles Gateway Center Phase II will be a 6 story, Class A office building with approximately 24,000 SF floor plates. The facade of the building will be designed to provide a complementary look to the existing DGC Phase I building. The DGC – Phase II building will face Route 28/Sully Road. The parking garage will be positioned behind the existing DGC – Phase I building.

This architectural and landscape design will be in accordance with the guidelines suggested by the Fairfax County Zoning Ordinance. These guidelines includes the 15% of the gross area to be landscaped open space, maximum building height of 75 feet, Front Yard requirements to be controlled by a 45° angle of bulk plane, but not less than 40 feet, and remaining other bulk regulations.

Projected Site Plan

We do not have any revised site plans for Dulles Gateway Center – Phase II. We are working with out architects to have schematic and eventual construction drawings ready..

Site Calculations

The Dulles Gateway Center is located on two adjacent land tax parcels of 19.06 acres (17.86 acres with street dedications). The original site was divided into two tax lots of 12.4 acres (north) and 5.4 acres (south) in size. The development potential of the two combined parcels is 1.0 FAR (Floor Area Ratio) or roughly 830,250 SF. This 1.0 FAR is a grandfathered FAR ratio.

Building Area Measurements: Leasable and Non-Leasable			
Dulles Gateway Center -- Phase #	DGC Phase I	DGC Phase II	Total
Gross Leasable Area	147,624 SF	140,616 SF	288,240 SF
Non-Leasable Area	9,703 SF	10,584 SF	20,287 SF
Total Gross Building Area	157,327 SF	151,200 SF	308,527 SF

Floor Area Ratio (FAR) Achieved for Dulles Gateway Center -- Phase I+II	
Total Gross Building Area	308,527 SF
Total Lot Size	830,250 SF
DGC Phase I+II -- Floor Area Ratio (FAR)	0.37

Remaining Developable Office Space	
Gross Building Area	521,723 SF

The chart directly above provides site statistics of DGC Phase I and II for the purposes of calculating the Floor Area Ratio. Current short-term market conditions do not justify maximizing the FAR to develop all the way up to 1.0 FAR.

The Dulles Gateway Center will have approximately 140,616 SF of Gross Leasable space. The building will have 6 floors. Floors 2 through 6 will each have approximately 24,000 SF of Gross Leasable space with the Floor 1 providing 20,616 SF.

Parking Calculations

Per Fairfax County Zoning Ordinance 11-104, Paragraph 14-c, the parking ratio requirements for office buildings 125,000 square feet of gross floor area or more is Two and six-tenths (2.6) spaces per 1,000 square feet of gross floor area.

The Dulles Gateway Center – Phase I currently has 588 surface parked spaces. This amount more than satisfies the Fairfax County requirement of 409 spaces at a ratio of 2.6 spaces per 1,000 SF. Review of competing Dulles South Corridor office properties show typically parking ratio's ranging from 3.6 to 4.0 spaces per 1,000 SF. Conversations with brokers have suggested parking ratio's as high as 4.0 spaces per 1,000 SF is more than adequate for the office activity typical of Dulles South Corridor tenants. As one may see in the chart directly below, based on DGC – Phase II an additional 393 spaces will be needed to meet county requirements. The next section, Site Plan Parking Calculations provides further detail of challenges the owner/developer will face with the DGC – Phase II parking.

Dulles Gateway Center -- Phase #	DGC Phase I	DGC Phase II	Total
Total Gross Building Area	157,327 SF	151,200 SF	308,527 SF
Parking Ratios:	**# of Parking Spaces**		
County Requirement: (**2.6** spaces per 1,000 SF)	409	393	802
Market Alternative #1 (**3.5** spaces per 1,000 SF)	551	529	1,080
Market Alternative #2 (**4.0** spaces per 1,000 SF)	629	605	1,234

Site Plan Parking Calculations

Provided below are discussion points on the challenges facing the site plan parking. Following the challenges is the proposed solution.

There are several challenges and questions faced with the development of parking for the Dulles Gateway Center – Phase II.

Challenge # 1: Parking for existing DGC – Phase I tenants

a) DGC – Phase II to be built on land now used to surface park DGC – Phase I.
b) Timing implications.

Challenge # 2: Decision for Surface parking and/or above-grade structured parking.

a) Market Demand factors
b) Profitability factors
c) Long-term FAR Maximization
d) Timing implications

DGC – Phase I currently has 588 surface parked spaces which are located around the entire building. It is estimated 320 of these spaces on the northern side of the building will no longer exist with the construction of DGC – Phase II. Based on these numbers, a total of 268 spaces would remain on the southern side to support – Phase I. Additional parking could eventually be offered north of DGC – Phase II. However, this scenario does not satisfy the interim parking needs of DGC – Phase I tenants. And, from a marketability standpoint, it may appear to be a competitive disadvantage to imposition tenants on a daily basis to go the distance from parking on the north side of DGC – Phase II to one's office in DGC – Phase I. This is especially true when other nearby competing office products offer closer proximity surface and structured parking.

Another challenge with structured parking is the construction cost. The estimated price for above-grade structured parking on a per space basis ranges from $15,000 to $30,000.[li] Below grade or underground parking construction costs are even higher. Given potential bedrock at the site it is viewed as highly cost prohibitive to explore below grade parking. One developer familiar with the Dulles area recalled how developers of the Hallmark Building located a ¼ mile down the street from Dulles Gateway Center ran into financial hurdles when underground parking was pursued. While use of structured parking will provide better marketability of a product as a convenience feature the short-term financial return does not run positive. One broker familiar with the Dulles South office market stated if an office space costs $5 psf more in annual rent because of a structured parking amenity the majority of the time the decision maker such as a CFO will opt for the less expensive office location without the parking structure. The main reason for moving forward with above-grade structured parking at Dulles Gateway is to maximize the long-term achievable FAR potential. A quick estimate using 300 SF per parking space with a 3.5 parking spaces to 1,000 SF of office space ratio would require over 12 acres of surface parking lot land for just 500,000 SF of office space. This is why ultimately in order to achieve the 1.0 FAR structured parking would be necessary.

If the ownership intends to hold the property for the long-term with no intentions of selling then consideration should be made to construct Parking Garage # 1 to support DGC – Phase I prior to commencement of construction of DGC – Phase II.

The chart below provides a framework of available parking spaces from commencement of Parking Garage # 1 through construction of DGC – Phase II.

Parking Spaces During Construction of Parking Garage # 1:	
Development Stage:	**Spaces**
Current Surface Parked Spaces at DGC -- Phase I:	588
Less -- Spaces Lost during construction of Parking Garage #1:	-160
Remaining Surface Parking Spaces during construction of Parking Garage #1	428

Parking Spaces During Construction of DGC -- Phase II:	
Development Stage:	**Spaces**
Remaining Surface Parking Spaces during construction of Parking Garage #1:	428
Plus -- New Spaces Added with completion of Parking Garage #1:	542
SubTotal	970
Less -- Surface Parking Spaces Lost during construction of DGC -- Phase II	-320
Remaining Surface and Structured Parking during construction of DGC -- Phase II:	650

After the DGC – Phase II office building is complete there will be 650 combined structured and surface parking spaces. Therefore, based on the projections show in the chart below additional surface parking spaces will be needed in order to support the DGC – Phase II tenants. The recommendation is to provide an additional 430 surface parking spaces north of the DGC – Phase II building. This will provide a total of 1,080 parking spaces for DGC – Phase I+II. A second and potentially third parking garage will be needed when DGC – Phase III and IV is eventually built.

Construction cost for the development of Parking Garage # 1 is estimated at $10M. Financing for the construction hard costs will be allocated to the budget of DGC – Phase I to be considered an original cost component of this project phase. Potential sources of fund solutions include refinancing the existing DGC – Phase I building loan and pull out cash as well as direct equity infusion through the ownership.

Of additional note, it is recognized during the construction of the parking garage the remaining 428 parking spaces may not be sufficient for the tenants of DGC – Phase I. 428 spaces complies with the 2.8 per 1,000 SF parking ratio. However, depending on occupancy levels there may be a need to temporarily add surface parking on the north side of DGC – Phase I.

Calculation: Additional Surface Parking Spaces Needed After Completion of DGC -- Phase II			
Dulles Gateway Center Phase I + II Parking Ratio's	**Required Spaces per Ratio:**	**Parking Garage # 1 + Remaining Surface Parking after construction of DGC -- Phase II**	**Required Additional Parking Spaces:**
County Requirement: (**2.6** spaces per 1,000 SF)	802	650	152
Market Alternative #1 (**3.5** spaces per 1,000 SF)	1,080	650	430
Market Alternative #2 (**4.0** spaces per 1,000 SF)	1,234	650	584

Development Budget

The development budget is provided in both summary and detail below. This preliminary budget is based upon construction cost estimates provided by Whiting-Turner Contracting Company. The costs were based off a proposed 171,000 SF office building in Alexandria, VA and a 187,000 SF office building under construction in Falls Church, VA. Discussions with a Senior Project Manager at Whiting-Turner provided insight into where to adjust these comparable budgets to better align the project scope of DGC – Phase II. For example, standard tenant allowances were increased from $40 psf to $49 psf. Another cost adjustment was the exclusion of underground parking which was modeled in the Falls Church development. Based on the project scope the ownership prefers a Design-Bid-Build process.

Development Budget Summary				
Type	**Cost**		**Cost Per S.F.**	**% of Total**
Land Costs	$	3,833,280	$ 27.26	10.08%
Hard Costs	$	27,177,537	$ 193.27	71.47%
Soft Costs	$	5,010,275	$ 35.63	13.18%
Interest Costs	$	3,520,155	$ 25.03	9.26%
Total Cost	$	39,541,248	$ 281.20	103.99%
Income During Construction & Lease Up Period	$	(1,516,636)	$ (10.79)	-3.99%
Total Net Project Costs	$	38,024,612	$ 270.41	100.00%

Development Budget Detail				
PROJECT COST/ELEMENT		**TOTAL**		**PER SQ FT**
Land & Other Acquisition Costs				
Land Purchase Price	$	3,833,280	$	27.26
Total Land Costs	**$**	**3,833,280**	**$**	**27.26**
Hard Costs				
Development Conditions -- Miscellaneous ($100k site work)	$	100,000	$	0.71
County Review & Submission Fees, Permits	$	15,000	$	0.11
Site Utilities (stubs to pad)	$	45,000	$	0.32
Paving & Striping (sealcoating)	$	129,560	$	0.92
Miscellaneous (Environmental mitigation)	$	220,000	$	1.56
Base Building Construction (parapet, roof work, DW)	$	19,656,000	$	139.78
Additional Base Building Costs (GARAGE)	$	-	$	-
Building Permits & Fees	$	3,817	$	0.03
Critical Structures Testing & Inspection	$	10,000	$	0.07
Standard Dollar Allowance	$	6,998,160	$	49.77
Total Hard Costs	**$**	**27,177,537**	**$**	**193.27**
Soft Costs				
Overhead, General & Administrative	$	12,000	$	0.09
Legal-Lease Review & Negotiation	$	55,510	$	0.39
Marketing/Promotion/Events	$	1,750	$	0.01
Leasing Commissions (5%)	$	1,537,615	$	10.93
Construction Loan Fees	$	158,165	$	1.12
Permanent Loan Placement Fees	$	134,100	$	0.95
Development Fee (4%)	$	836,047	$	5.95
Other - Lender's Inspector	$	7,000	$	0.05
Legal - zoning	$	20,000	$	0.14
Envirn. Studies (Phase I & Asbestos)	$	2,000	$	0.01
Traffic Studies	$	15,000	$	0.11
Utility Survey (Locate Existing)	$	10,000	$	0.07
Engineered Site Plan	$	94,000	$	0.67
A/E Construction Documents	$	22,500	$	0.16
A/E Construction Administration	$	600,000	$	4.27
Blueprints, Photos & Reproducibles	$	4,500	$	0.03
Reimb to Consultants (5% 4001-4110)	$	26,350	$	0.19
5.0% Contingency (except Land & Finance)	$	1,473,738	$	10.48
Total Soft Costs	**$**	**5,010,275**	**$**	**35.62**
Construction Loan Interest				
Construction Loan Interest	$	3,520,155	$	25.03
Total Construction Loan Interest	**$**	**3,520,155**	**$**	**25.03**
TOTAL EXPENDITURES	**$**	**39,541,248**	**$**	**281.18**

Land Costs

The project land costs were determined by taking a market rate of $22 per SF of land multiplied by 4 acres of land which will be assumed for the development of DGC – Phase II. This land will be re-allocated from the northern tax lot.

Hard Costs

The hard costs were developed through the budget estimates provided by Whiting-Turner. The costs estimates were for comparable office development projects within the same regional marketplace. These costs include approximate values of $140 for the base building construction and another $50 for tenant build-out allowances.

Soft Costs

Design and Engineering Fees

Design and engineering fees are currently at approximately $750,000. The firm will utilize landscape architecture and civil engineer services by VIKA, Inc. based out of McLean, VA. The building architecture and design will be done by Hickok Cole Architects based out of Washington, DC. There is concern at this time as additional information is needed for a more accurate representation of what the likely budget cost will be for these services. Estimate provided by Whiting-Turner suggested architect and engineering costs can be as high as 8 to 13% of hard costs. The budget currently has these costs at a low 4% of base building hard costs.

Survey

Surveying costs are budgeted at $40,000

Land Planning

The special exception for the structured parking garage will be shared amongst funding resources of DGC – Phase I and II. For purposes of the DGC – Phase II budget $35,000 has been allocated. Additional funds will be needed if it is decided to make DGC – Phase II a separate tax lot or part of the DGC – Phase I tax lot. We will engage our land planning and tax attorneys to provide a recommendation on the best strategy. We have retained the services of Sack, Harris, & Martin, P.C., based out of McLean, VA.

Legal and Professional

The budget includes $55,000 for legal costs for lease review and negotiation. The recommendation is to use tax planning firm Wilkes-Artis to minimize taxes.

Marketing Materials

Only $1,750 has been targeted for marketing materials. We will look to our brokers to develop and fund the marketing plan. We may anticipate with a competitive market the need to further fund marketing efforts with co-broker incentives. The firm will use Cassidy & Pinkard Colliers for leasing and marketing.

Development Fee

A developer fee of 4% against hard costs has been included in the budget.

Closing Costs

Closing Costs for the Construction Loan are estimated at $158,000.

Lender Financing Fees

Permanent Loan financing fees are estimated at $134,000.

Permits and Fees

Permit and fees have been estimated at $30,000.

Proffers

The first DGC – Phase I did not require any proffers. The budget does have $1.47M built in for contingencies. We anticipate through our pre-application meetings with Fairfax County we will gain a better insight to any potential proffers which may be needed. If we discover through this process additional funding of proffers will be needed we will revise the budget accordingly.

Environmental

$220,000 has been included in the budget for potential environmental mitigation.

Geotechnical

We have existing Phase I ESA reports from the development of DGC – Phase I. However, we anticipate we may need to run additional Phase I ESA reports to satisfy lender requirements. We've allocated $2,000 in the budget. However, we may need to spend an additional estimated $10,000 to $20,000 for geotechnical services.

Interest Carry Costs

Construction Loan Interest Carry Costs have been estimated to be $3.52M

VII. DEVELOPMENT SCHEDULE

The project process is assumed to begin with an Investment Committee decision by September 1, 2007.

Dulles Gateway Center -- Phase II
Development Timeline

Task	Start Date	Completion Date	Months for Task	Total Months
Beginning of Development Process: Pre-Application Meeting w/ Fairfax County Dep't of Planning & Zoning Staff (Dep't of Transportation and Land Use and Environmental Branches)	1-Sep-2007	30-Nov-2007	3	3
Special Exception Process	1-Dec-2007	30-Jun-2008	7	10
Approval of Site and Building Plans (Fairfax County)	1-Jul-2008	31-Mar-2009	9	19
Receipt of Building Permits	1-Jul-2008	31-Mar-2009	0	19
Permanent Loan Refinance on Dulles Gateway Phase I - Pullout Cash to fund construction of Parking Garage #1	1-Apr-2009	1-Apr-2009	0	19
Construction of Parking Garage #1	1-Apr-2009	31-Jul-2009	4	23
Close on Construction Loan for Dulles Gateway Phase II	1-Aug-2009	1-Aug-2009	0	23
Construction of Dulles Gateway Phase II	1-Aug-2009	31-Jul-2010	12	35
Begin Pre-Lease Marketing	1-Aug-2009		-	0
Final Inspection	1-Aug-2010	31-Aug-2010	1	36
Lease Up Period	1-Sep-2010	31-Jan-2012	18	54
Refinance / Permanent Loan	1-Sep-2012	1-Sep-2012	0	54

This project begins with approximately 3 months of pre-application meeting with the Fairfax County Departments of Planning and Zoning Staff. Specifically, the developer will meet with the county staff branches of transportation and land use. Since this project will require a Special Exception the timeline calls for 7 months per the Fairfax County estimate. Next, Site Plan and Building Plan applications will be filed concurrently to expedite the process. Another 9 months has been factored for this project step. Construction of the Parking Garage will be funded through the refinancing of Dulles Gateway Phase I. It is assumed by April 2009 the DGC Phase I will no longer be at the current August 2007 vacancy rate of 71%. We recognize a potential challenge to receive favorable refinancing terms if the building is below 90% occupancy. Prior to the 4 month Parking Garage construction, existing surface parking will need to be extended beyond the future DGC Phase II site to support the temporary displacement of parking spaces. By August 2009, the Parking Garage will be complete and users will now no longer have access to the surface parking where DGC Phase II will be built. They will use the new structured parking garage. Next, a construction loan will be secured. Pre-leasing activities and construction will commence. After 12 months of construction DGC – Phase II will be ready for inspection and occupancy by tenants. The lease-up period has been estimated at 18 months. Upon lease up completion of 90% or higher projected for January 2012 the project will take out the construction loan with a permanent loan. It is

understood if lease up does not meet standards for favorable permanent loan financing an interim loan will be sought.

Zoning and Building Permits

The following is an excerpt from the Fairfax County website on the Fairfax County Special Exception Process.[lii]

Special Exception Process	
An overview of Fairfax County, Virginia's Special Exception Process, from the time an application is filed, to the time of the Board of Supervisors Public Hearing (90 days).	
Step	**Details**
1	Application is filed by the Applicant.
2	Application submissions are reviewed. When all Zoning Ordinance submission requirements are met, application is accepted and distributed to various county agencies.
3	Application is scheduled for Planning Commission Public Hearing and is assigned to a staff coordinator.
4	Prestaffing of application/Applicant will be contacted by staff about initial staff comments.
5	Revisions relating to prestaffing comments are submitted.
6	Staffing of application/Applicant. Will be contacted by staff about final staff comments.
7	Revisions relating to the staffing comments are submitted.
8	Final submission deadline (6 weeks prior to Planning Commission Public Hearing. Staff report is published based on information received by this date).
9	Notification to adjacent property owners (sent to Applicant 30 days prior to hearing, notices mailed by Applicant postmarked at least 15 days prior to hearing).
10	Staff report published (2 weeks prior to public hearing).
11	Planning Commission Public Hearing.
12	Application is scheduled for Board of Supervisors Public Hearing.
13	Notification to adjacent property owners (sent to Applicant 30 days prior to hearing, notices mailed by Applicant postmarked at least 15 days prior to hearing).
14	Board of Supervisors Public Hearing.

Post approval of the Special Exception

The special exception is for the off-street parking garage structure. After approval of this special exception there will be a need for permits to build both the Parking Garage and Dulles Gateway Center – Phase II. The Fairfax County website states the following permits may be required.

PERMITS REQUIRED

PERMITS REQUIRED

You must obtain permits for the construction of a commercial structure. Listed below are the possible types of permits required depending on the complexity of the project. Except as noted below, apply for permits at the **Permit Application Center** located at the Herrity Building, 2nd floor, telephone: **703-222-0801, TTY 703-324-1877.**

- **Building permit** for architectural and structural elements.
- **Electrical permit** for all electrical installations and fire alarm systems.
- **Mechanical permit** for installations of all elements and appliances associated with heating and air-conditioning systems, chemical exhaust systems, range hoods, etc.
- **Plumbing permit** for installations of all elements and appliances associated with plumbing and gas piping systems, fire sprinkler systems, storm drains, roof drains, etc.
- **Virginia Department of Transportation (VDOT) permit** for construction on or from a state-maintained road or for utility work in VDOT right-of-way. Apply at the **VDOT Permit Office**, 14628 Avion Parkway, Suite 120, Chantilly, telephone: **703-383-2888, TTY 711.**
- **Well/septic permit** for installing, altering or relocating private water or sewage systems. Apply at the **Health Department**, 10777 Main Street, Fairfax, telephone: **703-246-2201, TTY 711.**

OBTAINING A BUILDING PERMIT

FEES

- **Fire Marshal fees** are assessed by the Fire Prevention Division plan reviewer located on the 3rd floor of the Herrity Building. Call the Fire Prevention Division at **703-246-4800, TTY 711** to obtain information regarding the fee structure.
- **Building permit fees** are based on building area. A filing fee (35% of the building permit fee) must be paid at the time of application for the building permit. Call the Permit Application Center at **703-222-0801, TTY 711** to obtain information regarding the fee structure or visit *www.fairfaxcounty.gov/living/construction*.
- **A correction and/or revision fee** of $125 per review is assessed for each plan review discipline after the initial review.
- **Mechanical, electrical, and plumbing permit fees** (assessed after the building permit has been issued) are based on the equipment installed. Contact the Permit Application Center or visit the County website for more information.
- **Heath Department fees** are assessed for well/septic permits and for related plan reviews. Call **703-246-2201, TTY 711** for more information.
- For **public water fees,** contact the Fairfax County Water Authority at **703-698-5600, TTY 703-698-7025.** For **sewer connection fees,** contact the Wastewater Planning and Monitoring Division at **703-324-5015, TTY 711.**

  It is possible that your property is within the service area of one of the following jurisdictions which provide water and/or sewer services to some properties within Fairfax County. Please use the telephone numbers below to obtain more information.

Alexandria	**703-838-4488, TTY 711**
Fairfax City	**703-385-7915, TTY 711**
Falls Church	**703-284-5071, TTY 711**
Herndon	**703-435-6853, TTY 711**
Vienna	**703-255-6385, TTY 703-255-5735**

PERMIT PROCESS

1. Submit a completed *Building Shell/Fee Assessment Submittal Form* (additions exempt) to the Fire Prevention Division plan reviewer at the Building Plan Review on the 3rd floor of the Herrity Building. This form, available at the Permit Application Center and online at *www.fairfaxcounty.gov/dpwes/forms,* may be processed while you wait.
2. Submit the completed construction documents, prepared site plan, the processed *Building Shell/Fee Assessment Submittal Form* (if required) and a completed building permit application to the Permit Application Center on the 2nd floor of the Herrity Building.

   HELPFUL HINT: You may submit plans reviewed under the *Expedited Building Plan Review Program* directly to the public counter in Room 324 of the Herrity Building.
3. Once the filing and Fire Marshal fees are paid, the construction documents will be forwarded internally to the appropriate reviewing agencies: Building Plan Review, Fire Prevention Division, Health Department (if applicable).
4. When all reviews have been completed, the drawings will be available for pick-up at the public counter in Room 324 of the Herrity Building. If the drawings are not approved by one or more agencies, corrections must be made to achieve compliance. Review comments from the Health

Department will be attached to the plans; comments from the Fire Prevention Division and Building Plan Review will be available on the county website at *www.fairfaxcounty.gov/fido.*

HELPFUL HINT: To learn the status of your plans during the review process, go to the County website at *www.fairfaxcounty.gov/fido,* call the automated telephone line at **703-222-5155**, or, during business hours, call **703-222-0114, TTY 711.**

5. If the building requires special inspections, then a pre-construction meeting is required and must be held after the approval of the building plans and prior to the issuance of the building permit. To arrange a pre-construction meeting, contact the Critical Structures Section at **703-324-1060, TTY 711**.
6. Prior to the issuance of the permit, the building permit application must be approved by the required review agencies with signatures placed on the lines adjacent to their corresponding departments as listed below.
    - Zoning Review: the Zoning Permit Review Branch will sign off after the site plan has been reviewed and approved for zoning-related issues.
    - Site Permits: the Site Permits Section will sign off after the site plan is approved and bonded.
    - Sanitation: the Wastewater Planning and Monitoring Division will sign off after payment of all sewer fees and fixture unit fees.
    - Health Department (if applicable) will sign off after their review and approval of plans.
    - Building Plan Review will sign off only after all other signatures have been obtained and the building plans are approved.
7. Once the building plans are approved and you have obtained the appropriate signatures on the building permit application, two copies of the approved plans will be released to you at the public counter in Room 324 of the Herrity Building.
8. The technicians at the "Log-out" station and Cashier's Office on the 2nd floor of the Herrity Building will complete the permit process, accept final payment and issue the building permit.

AFTER OBTAINING A BUILDING PERMIT

ELECTRICAL, MECHANICAL AND PLUMBING PERMITS

Electrical, Mechanical and Plumbing permits are generally issued based on previous approval of plans submitted with the building permit application. Separate permits are issued for fire protection items.

SHOP DRAWINGS (fabrication and erection documents)

- Three sets of detailed shop drawings for all fire alarm systems, sprinkler systems, range hoods and/or other fire protection systems, including flammable/combustible liquids tanks, must be submitted to the Fire Prevention Division, 4100 Chain Bridge Road, 3rd Floor, Fairfax, telephone: **703-246-4800, TTY 711**. Include in your submission manufacturers' cut sheets, model numbers, calculations, etc..
- Two sets of detailed shop drawings detailing the main structural reinforcing system as part of the Special Inspections Program must be submitted to the Critical Structures Section in Suite 315 of the Herrity Building. Call **703-324-1060, TTY 711** for more information.

INSPECTIONS

Once permits are issued, construction may commence. Inspections are required by the USBC to ensure that the structure and the electrical, plumbing, gas, and mechanical systems conform to the approved plans and meet the intent of the code. **A copy of the approved site plan and building plans must be on the job site and must be available to the inspector during each inspection or no inspection will be performed.**

SCHEDULING AN INSPECTION

It is the responsibility of the permit holder or the permit holder's representative to notify the county when the stages of construction are reached that require an inspection. Ladders, scaffolds, and testing equipment required to complete an inspection must be provided. Inspection requests may be made using the methods listed below; please have your permit number available when scheduling an inspection. Requests made prior to 11:59 p.m. on automated systems will be scheduled for the next workday.

- Inspection Request Center: **703-222-0455, TTY 711**, 8 a.m. to 4:30 p.m., Monday – Thursday, and 9:15 a.m. to 4:30 p.m. on Fridays.
- Fairfax Inspections Database Online (FIDO): ***www.fairfaxcounty.gov/fido*** or call **703-222-2474**, 24 hours a day, seven days a week.
- Fire Marshal inspections for sprinkler, alarm, and all other fire protection systems must be completed prior to occupancy. Approved shop drawings must be on site. To schedule a Fire Marshal inspection, contact the Fire Prevention Division at **703-246-4821, TTY 711.**
- Tank inspections regulated by the Fire Prevention Division can be scheduled by calling **703-246-4849, TTY 711.**
- Inspections of facilities regulated by the Health Department can be scheduled by calling **703-246-2510, TTY 711**.

REQUIREMENTS FOR PUBLIC UTILITIES

You must call *"Miss Utility,"* a free service, at **1-800-552-7001, TTY 711** before excavating to ensure that the construction does not interfere with underground utility lines. If you fail to contact Miss Utility and damage occurs, you will be liable for all costs of repair.

PLAN REVISIONS

Plan revisions (alterations made after permit issuance) require approval by the appropriate reviewing agencies. Revised drawings must be made on new sheets with a minimum size of 21" x 30"; details on $8^1/_2$" x 11" paper stapled to the construction documents are not accepted. Submit revised plans at the public counter in Room 324 of the Herrity Building.

Critical Path

The success of Dulles Gateway Center – Phase II is dependent upon several factors which include regulatory and construction delays.

Regulatory

The development timeline of DGC – Phase II starts out with the approval of a special exception for an off-street parking structure to support the tenants of DGC – Phase I. While DGC – Phase II could be built "by-right", the desire to maximize the long term office space development potential of the land requires structured parking. Should there be a delay in the approval of the special exception then this will directly extend the time it takes to move forward with the development of DGC – Phase II. One often found potential regulatory concern is citizen and community protest to development. The Middleton Farm project directly north of Dulles Gateway has had development road blocked again and again from a local residential community. Since Dulles Gateway does not border the same residential community there is less a concern of a delay based on protest.

Construction

The construction timeline calls for 4 months starting in April 2009 to build Parking Garage # 1 and 12 months starting in August 2009 to build Dulles Gateway Center – Phase II. Construction delays can occur for many reasons including inclement weather and poor material supplies planning. Additional potential concerns include unforeseen site conditions not found during initial surveys, contractor defaults where the building does not meet the agreed upon plans and specifications.

Another critical path issue is the lease up of the existing DGC – Phase I. Currently, DGC – Phase I is more than 75% vacant. Should this property remain at such a high level of vacancy it is very unlikely funding would be available to refinance DGC – Phase I which is the main source of funding the development of Parking Garage # 1.

VIII. FINANCIAL ANALYSIS

Development Budget Summary

Land Costs

The ownership currently owns 19.06 acres (17.86 acres with street dedications). For the purposes of DGC – Phase II, 4.0 acres of land is contributed towards the development budget. This equates to 174,240 SF at a market value of $22 psf equals $3,833,280. The land cost based on the DGC – Phase II leasable area of 140,616 equates to $27.26 psf. This value will be used as owner equity in the construction loan.

Hard Costs

Hard costs for DGC – Phase II are projected at $27,177,537 or $193.27 per gross leasable SF. These cost estimates were provided by Whiting-Turner Contracting Group..

Soft Costs

Soft costs for DGC – Phase II are projected $5,010,275 or $35.63 per gross leasable SF. The soft costs include itemizations for feasibility studies, site plan and engineering costs, and base building design costs.

Interest Costs

The interest costs amount to $3,520,155 or $25.03 per gross leasable SF. The interest costs are derived from the construction loan which includes a 12 month construction period followed by a 18 month lease up period.

Income During Construction

The development budget costs are off-set by $1,516,636 or $10.79 per gross leasable SF by income derived during the 18 month lease up period prior the closing of the construction loan to the modeled permanent loan.

Development Assumptions

Analysis and Timing

The construction of DGC – Phase II will commence on August 2009 and finish up July 2010. Lease up and occupancy through stabilization is modeled over an 18 month period August 2010 through January 2012. The permanent loan and 10 year pro forma model starts February 2012.

Revenue

2007 asking rent rates for the Dulles Corridor South for Class A office product varies from the existing DGC – Phase I at $26.50 to South Lake at Dulles Corner listed at $35 to $37 psf. The model has projected rent rates to increase at 3% per year for a 2011 rent rate of $31 psf for DGC – Phase II.

Market Leasing Assumptions:

15,000 SF or greater:
Market Rent: $31/psf in 2011
Rent Increase: 3% Annual
Tenant Improvements: $50/$10
Renewal Probability: 80%
Months Vacant: 6 / 0
Leasing Commissions: 5% / 3%
Operating Expense: Full Service with a Base Year Expense Stop
Term Length: 7 Years

10,000 SF to 15,000 SF:

Market Rent: $31/psf in 2011
Rent Increase: 3% Annual
Tenant Improvements: $40/$10
Renewal Probability: 70%
Months Vacant: 6 / 0
Leasing Commissions: 5% / 3%
Operating Expense: Full Service with a Base Year Expense Stop
Term Length: 7 Years

10,000 SF or less:
Market Rent: $31/psf in 2011
Rent Increase: 3% Annual
Tenant Improvements: $50/$20
Renewal Probability: 70%
Months Vacant: 6 / 0
Leasing Commissions: 5% / 3%
Operating Expense: Full Service with a Base Year Expense Stop
Term Length: 5 Years

DGC -- Phase II
Tenant Lease Up Rent Roll

Tenant	Suite	SF	Date
Dulles Advertising Agen	100	9,000	Nov-10
CPA PennyPinchers Inc.	110	9,000	Aug-10
DGC Deli2Go	120	2,616	Aug-10
Tech Telecom Group	200	14,000	Nov-10
Honest Abe Law Firm	220	10,000	Aug-10
CIA Contractor	300	24,000	Feb-11
Aerospace Tech Firm	400	19,000	May-11
Dulles USA2China Travel Sv	410	5,000	Nov-10
Dulles Insurance Group	500	8,000	Aug-11
Dulles Private Finance	510	8,000	Aug-11
Dulles Computer Science Corp	520	8,000	Nov-11
Govt Consulting Firm #1	600	12,000	Nov-11
Govt Consulting Firm #2	610	12,000	Feb-12
Total		140,616	

Vacancy

Given the currently oversupplied market the model puts General Vacancy at 10% with an additional 2% for Credit & Collection Loss.

Expenses

Expense figures were modeled based off of the existing expenses of DGC – Phase I along with information provided on similar type properties within the Northern Virginia office market. The expenses were modeled to inflate by 4% annually.

REIMBURSEABLE EXPENSE SUMMARY			
Utilities		$1.79	
Grounds		$0.61	
Security		$0.11	
Garage		$0.00	
Janitorial		$1.36	
Payroll		$0.81	
Management fee	3%	$0.82	
Insurance		$0.54	
Real Estate Taxes		$2.71	
TOTAL REIMSBURSABLE EXPENSES			**$8.75**
NON-REIMBURSABLE EXPENSE SUMMARY			
TOTAL NON-REIMBURSABLE EXPENSES			**$0.07**
TOTAL CAPITAL RESERVES			**$0.11**
TOTAL OPERATING EXPENSES			**$8.93**

Capital Expenditures

Given this will be a new building the capital expenditures are not anticipated to be as much as older assets. The budget includes a Capital Expenditure Reserve of $0.10 psf

Sources of Funds

Construction Loan Assumptions

CONSTRUCTION LOAN	
LOAN FUND DATE	Dec-2009
LOAN PER SQ. FT.	$224.96
LOAN AMOUNT	$31,632,998
LOAN TO COST RATIO	80.00%
LOAN TO VALUE RATIO	82.56%
EQUITY PORTION	20.00%
FINANCED PORTION	80.00%
INTEREST RATE	(30 Day LIBOR + Spread)
30 Day LIBOR	5.80%
Spread	1.75%
INTEREST RATE	7.55%
PLACEMENT FEES	N/A
LOAN TERM (months)	30

Permanent Loan Assumptions

PERMANENT LOAN	
LOAN FUND DATE	Jan-2012
LOAN PER SQ. FT.	$190.73
LOAN AMOUNT	$26,820,030
LOAN TO COST RATIO	67.83%
LOAN TO VALUE RATIO	70.00%
EQUITY PORTION	30.00%
FINANCED PORTION	70.00%
INTEREST RATE	(10yr Treasury + Spread)
10yr Treasury	4.75%
Spread	1.80%
INTEREST RATE	6.55%
PLACEMENT FEES	Assumed 50bps funded within Construction budget
LOAN AMORT (years)	25
COVERAGE FACTOR	1.23
PERM LOAN PROCEEDS	($4,290,415)
VALUATION CAP RATE	7.00%

Equity Assumptions

The DGC -- Phase II development has been modeled with and without the currently owned land being included as a budget cost. Despite the advantage of already owning the land, projected returns with consideration of market risk of current office space oversupply do not satisfy investor criteria to move forward with construction. This is the case whether the land value is or is not factored into the budget. When including land value into the budget the Return on Cost is -1.25%, and unlevered and leveraged 10 year IRR is 10.09% and 10.85% respectively. The same returns modeled to not include the market value of the land into the construction budget is a Return on Cost at 11.54% unlevered and leveraged 10 year IRR at 11.48% and 14.76% respectively. See the chart below for additional details.

INVESTMENT ANALYSIS	LAND COST INCLUDED		LAND COST EXCLUDED	
DEVELOPMENT PROFIT	AMOUNT	G.L.A. P.S.F.	AMOUNT	G.L.A. P.S.F.
CAPITALIZED VALUE	$38,314,329	$272.47	$38,314,329	$272.47
Less: Total Project Cost	(38,024,612)	($270.41)	(33,664,251)	($239.41)
Total Sales Costs (2.0%)	(766,287)	($5.45)	(766,287)	($5.45)
GROSS DEVELOPMENT PROFIT	($476,570)	($3.39)	$3,883,791	$27.62
RETURN ON COST ANALYSIS	AMOUNT	G.L.A. P.S.F.	AMOUNT	G.L.A. P.S.F.
GROSS DEVELOPMENT PROFIT	($476,570)	($3.39)	$3,883,791	$27.62
TOTAL NET PROJECT COST	$38,024,612	$270.41	$33,664,251	$239.41
GROSS RETURN ON COST	-1.25%		11.54%	
RETURN ON INVESTMENT ANALYSIS	AMOUNT	G.L.A. P.S.F.	AMOUNT	G.L.A. P.S.F.
CASH FLOW AFTER DEBT SERVICE	$498,848	$3.55	$498,848	$3.55
EQUITY INVESTMENT	$7,908,250	$56.24	$7,036,177	$50.04
RETURN ON INVESTMENT	6.31%		7.09%	
Internal Rate of Return (Unlevered)	AMOUNT	G.L.A. P.S.F.	AMOUNT	G.L.A. P.S.F.
TWO YEAR (Based on a 7% Cap Rate)	7.64%		10.93%	
TEN YEAR (Based on a 7% Cap Rate)	10.09%		11.48%	
Internal Rate of Return (Leveraged)	AMOUNT	G.L.A. P.S.F.	AMOUNT	G.L.A. P.S.F.
TWO YEAR (Based on a 7% Cap Rate)	9.11%		20.84%	
TEN YEAR (Based on a 7% Cap Rate)	10.85%		14.76%	

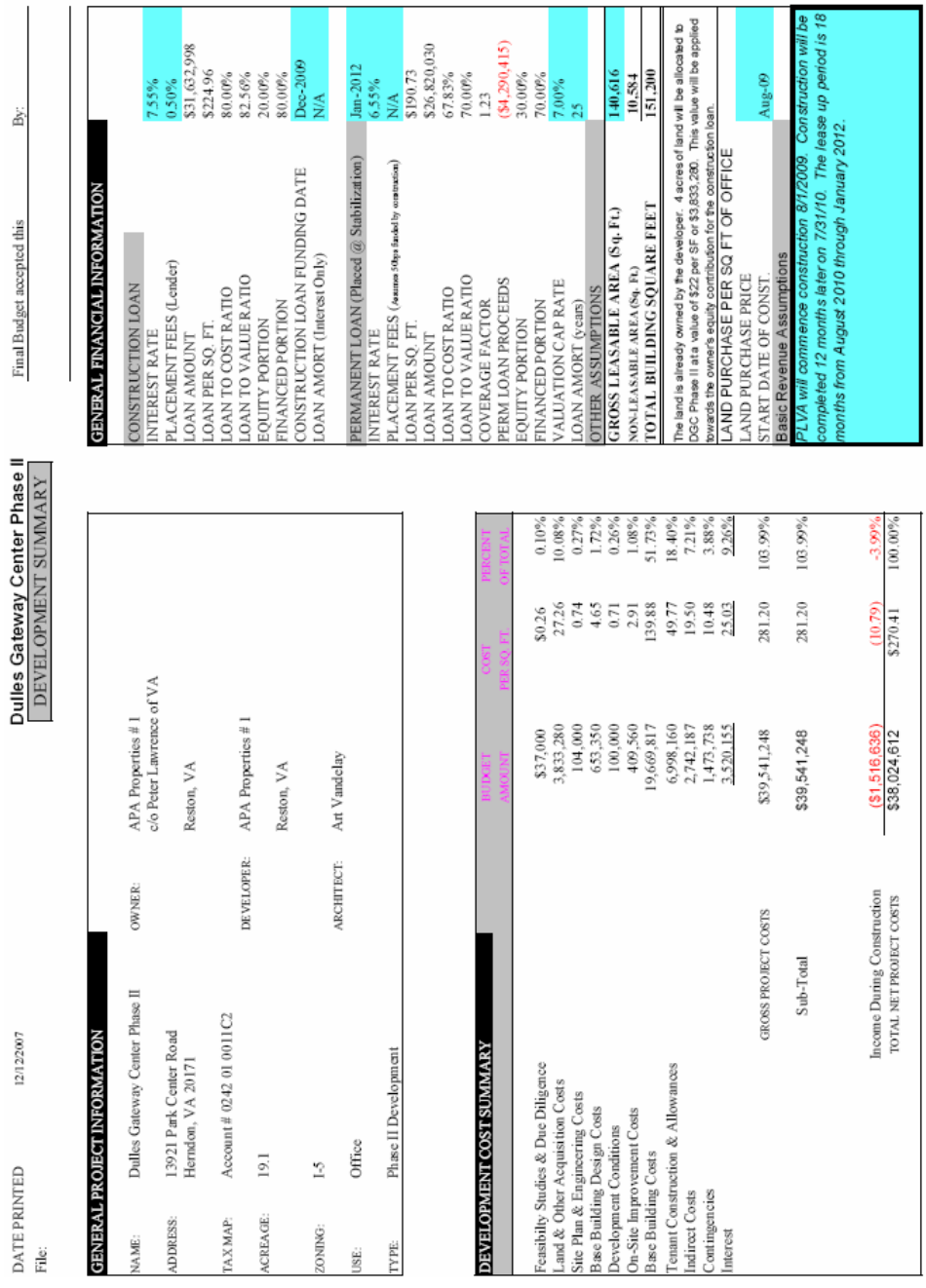
The financial returns modeled in this Feasibility Study are guided upon the land owners approach to long term asset investment holding strategies. The ownership is a closely held private concern which prefers to retain ownership control and management.* The marketplace provides alternative investment strategies such as opportunistic approaches where a developer builds an asset with the intent to sell upon lease-up and enough seasoning of the leases to attract an institutional investor. Another approach is to form joint ventures to leverage different core competencies skills, risk tolerance levels, and access to capital. Given the present land owners investment approach these other financial models have not been considered for this feasibility study.

* More information on the firm may be found at their website: http://www.peterlawrence.com Excerpts on the company profile may also be found in the appendix section #....

The project funding Construction and Permanent Loans are detailed below. The firm has two advantages when it comes to Construction Loan financing. One advantage is the firm's long held fee simple ownership interest in the vacant land. A local lender at Commerce Bank advised the ownership could opt to use the land value as their equity contribution towards the construction budget. This alone could reduce the out-of-pocket 20% equity contribution from $7.9M by $3.8M to $4.1M. The second advantage the firm could explore is internally funding all or a significant share of the construction loan. This

is contingent upon the firm's liquidity and risk level. The Construction Loan interest over the 12 month construction period and 18 month lease up period totals $3.5M. This savings could increase the investors Return on Cost from -1.25% to 8.82%

Base Case Scenario



DATE PRINTED 12/12/2007
File:

Dulles Gateway Center Phase II
DEVELOPMENT SUMMARY

Final Budget accepted this By:

GENERAL PROJECT INFORMATION			
NAME:	Dulles Gateway Center Phase II	OWNER:	APA Properties # 1 c/o Peter Lawrence of VA
ADDRESS:	13921 Park Center Road Herndon, VA 20171		Reston, VA
TAX MAP:	Account # 0242 01 0011C2	DEVELOPER:	APA Properties # 1
ACREAGE:	19.1		Reston, VA
ZONING:	I-5	ARCHITECT:	Art Vandelay
USE:	Office		
TYPE:	Phase II Development		

GENERAL FINANCIAL INFORMATION	
CONSTRUCTION LOAN	
INTEREST RATE	7.55%
PLACEMENT FEES (Lender)	0.50%
LOAN AMOUNT	$31,632,998
LOAN PER SQ. FT.	$224.96
LOAN TO COST RATIO	80.00%
LOAN TO VALUE RATIO	82.56%
EQUITY PORTION	20.00%
FINANCED PORTION	80.00%
CONSTRUCTION LOAN FUNDING DATE	Dec-2009
LOAN AMORT (Interest Only)	N/A
PERMANENT LOAN (Placed @ Stabilization)	Jan-2012
INTEREST RATE	6.55%
PLACEMENT FEES (Assumes 50bps funded by construction)	N/A
LOAN PER SQ. FT.	$190.73
LOAN AMOUNT	$26,820,030
LOAN TO COST RATIO	67.83%
LOAN TO VALUE RATIO	70.00%
COVERAGE FACTOR	1.23
PERM LOAN PROCEEDS	($4,290,415)
EQUITY PORTION	30.00%
FINANCED PORTION	70.00%
VALUATION CAP RATE	7.00%
LOAN AMORT (years)	25
OTHER ASSUMPTIONS	
GROSS LEASABLE AREA (Sq. Ft.)	140,616
NON-LEASABLE AREA (Sq. Ft.)	10,584
TOTAL BUILDING SQUARE FEET	151,200
The land is already owned by the developer. 4 acres of land will be allocated to DGC Phase II at a value of $22 per SF or $3,833,280. This value will be applied towards the owner's equity contribution for the construction loan.	
LAND PURCHASE PER SQ FT OF OFFICE	
LAND PURCHASE PRICE	
START DATE OF CONST.	Aug-09
Basic Revenue Assumptions	
PLVA will commence construction 8/1/2009. Construction will be completed 12 months later on 7/31/10. The lease up period is 18 months from August 2010 through January 2012.	

DEVELOPMENT COST SUMMARY		BUDGET AMOUNT	COST PER SQ. FT.	PERCENT OF TOTAL
Feasibility Studies & Due Diligence		$37,000	$0.26	0.10%
Land & Other Acquisition Costs		3,833,280	27.26	10.08%
Site Plan & Engineering Costs		104,000	0.74	0.27%
Base Building Design Costs		653,350	4.65	1.72%
Development Conditions		100,000	0.71	0.26%
On-Site Improvement Costs		409,560	2.91	1.08%
Base Building Costs		19,669,817	139.88	51.73%
Tenant Construction & Allowances		6,998,160	49.77	18.40%
Indirect Costs		2,742,187	19.50	7.21%
Contingencies		1,473,738	10.48	3.88%
Interest		3,520,155	25.03	9.26%
	GROSS PROJECT COSTS	$39,541,248	281.20	103.99%
	Sub-Total	$39,541,248	281.20	103.99%
	Income During Construction	($1,516,636)	(10.79)	-3.99%
	TOTAL NET PROJECT COSTS	$38,024,612	$270.41	100.00%

DATE PRINTED 12/12/2007

Dulles Gateway Center Phase II
DEVELOPMENT SUMMARY

APA Properties # 1

INVESTMENT ANALYSIS

	ITEM AMOUNT	G.L.A. P.S.F.
INTERNAL CAPITALIZATION RATE		
NET OPERATING INCOME (FY 2013)	$2,682,003	$19.07
TOTAL NET PROJECT COST	$38,024,612	$270.41
CAPITALIZATION RATE	7.05%	n/a
DEVELOPMENT PROFIT		
CAPITALIZED VALUE	$38,314,329	$272.47
(7.00% Capitalization Rate)		
Less: Total Project Cost	(38,024,612)	($270.41)
Total Sales Costs (2.0%)	(766,287)	($5.45)
GROSS DEVELOPMENT PROFIT	($476,570)	($3.39)
RETURN ON COST ANALYSIS		
GROSS DEVELOPMENT PROFIT	($476,570)	($3.39)
TOTAL NET PROJECT COST	$38,024,612	$270.41
GROSS RETURN ON COST	-1.25%	
RETURN ON INVESTMENT ANALYSIS		
CASH FLOW AFTER DEBT SERVICE	$498,848	$3.55
EQUITY INVESTMENT	$7,908,250	$56.24
RETURN ON INVESTMENT	6.31%	
Internal Rate of Return		
TWO YEAR (Based on 7.00% Cap Rate)	9.11%	
TEN YEAR (Based on 7.00% Cap Rate)	10.85%	

REVENUE & EXPENSE SUMMARY

		ESTIMATED AMOUNT	G.L.A. P.S.F.	PERCENT %
REVENUE & EXPENSE SUMMARY:				
Estimated Revenues				
Stabilized Rental Revenues (FY 2013)		$4,264,816	$30.33	97.46%
Tenant Reimbursements		$111,153	$0.79	2.54%
Estimated Gross Revenues		$4,375,969	$31.12	100.00%
LESS: Vacancy Factor	10.00%	(437,597)	($3.11)	(10.00%)
Gross Effective Revenues		$3,938,372	$28.01	90.00%
Estimated Operating Expenses				
Utilities		$251,786	$1.79	5.75%
Grounds		$85,454	$0.61	1.95%
Security		$15,259	$0.11	0.35%
Garage		$0	$0.00	0.00%
Janitorial		$190,747	$1.36	4.36%
Payroll		$114,449	$0.81	2.62%
Management fee	3%	$115,526	$0.82	2.64%
Insurance		$76,299	$0.54	1.74%
Real Estate Taxes		$381,492	$2.71	8.72%
Non-Reimbursable		$10,442	$0.07	0.24%
Capital Expenditures		$14,915	$0.11	0.34%
Total Estimated Operating Expenses		$1,256,369	$8.93	28.71%
Estimated Net Operating Income		$2,682,003	$19.07	61.29%
Less: Estimated Debt Service		(2,183,155)	($15.53)	(49.89%)
Estimated Net Cash Flow		$498,848	$3.55	11.40%

DATE PRINTED 1/30/2008

Dulles Gateway Center Phase II
CASH FLOW SUMMARY

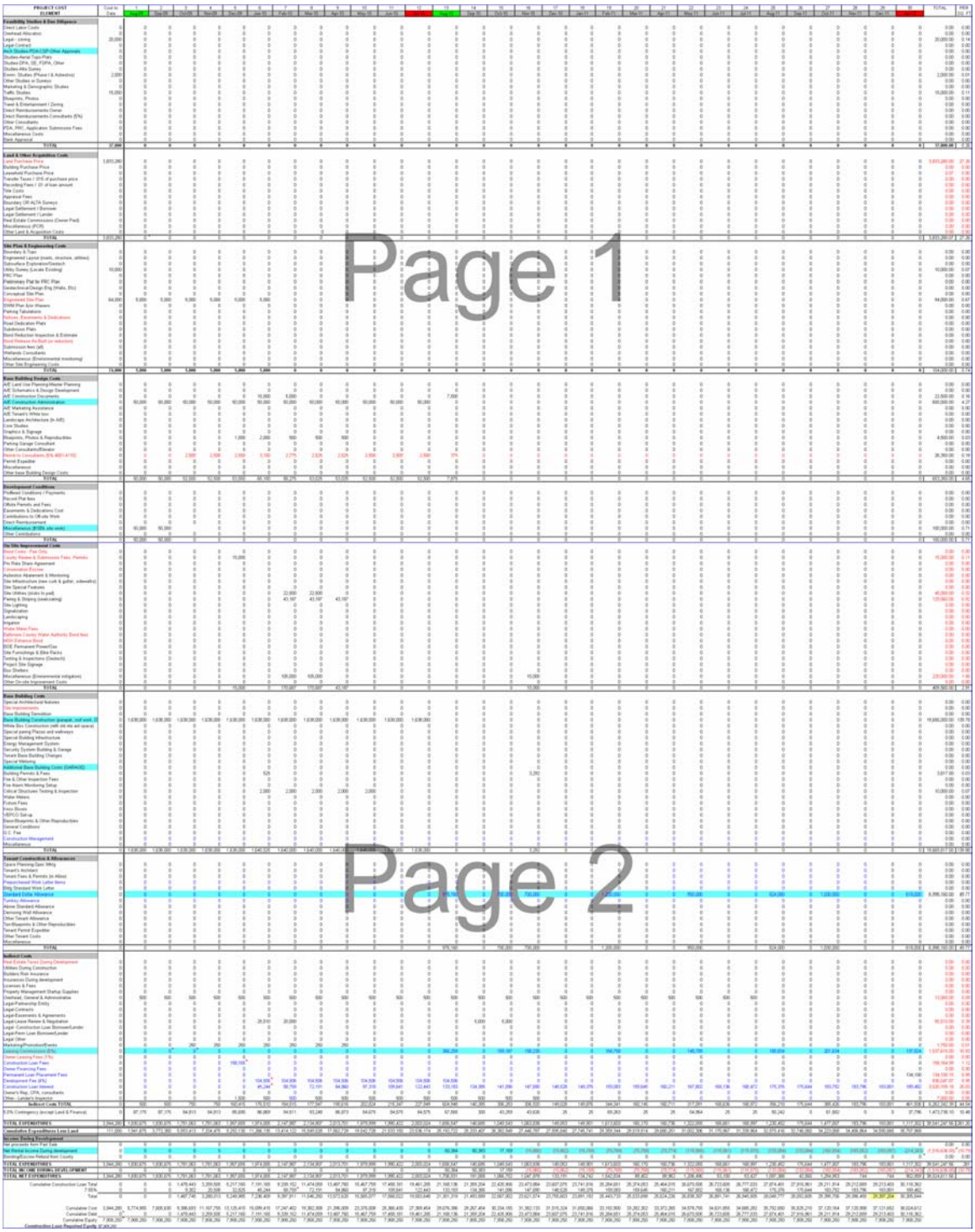
Credit Tenant in bold	SQUARE FEET	Initial FS Rental Rate	Year 1 2/1/12-01/31/13	Year 2 FY 2014	Year 3 FY 2015	Year 4 FY 2016	Year 5 FY 2017	Year 6 FY 2018	Year 7 FY 2019	Year 8 FY 2020	Year 9 FY 2021	Year 10 FY 2022	Disposition Year 11 FY 2023	10 YEAR TOTAL
Estimated Rental Revenues														
Dulles Advertising Agency	9,000	30.69	276,200	284,487	293,020	301,811	310,864	268,537	344,850	355,196	365,852	376,827	321,834	3,177,644
CPA PennyPinchers Inc.	9,000	30.84	277,566	285,895	294,471	303,305	312,403	321,777	331,429	341,372	298,193	378,702	390,063	3,145,113
DGC Deli2Go	2,616	31.36	82,046	84,508	87,044	89,655	92,344	95,115	97,970	100,906	105,693	110,621	113,939	945,902
Tech Telecom Group	14,000	30.61	428,581	441,437	454,680	468,321	482,371	414,339	535,100	551,153	567,686	584,718	602,259	4,928,386
Honest Abe Law Firm	10,000	30.84	308,406	317,662	327,189	337,005	347,116	357,528	368,255	379,304	331,325	420,779	433,403	3,494,569
CIA Contractor	24,000	29.87	716,880	738,386	760,537	783,356	790,624	886,218	912,806	940,190	968,395	997,447	1,027,369	8,494,839
Aerospace Tech Firm	19,000	30.16	573,112	590,305	608,012	626,255	612,920	696,468	717,362	738,884	761,051	783,882	807,398	6,708,251
Fairfax-China Travel Svcs	5,000	31.21	156,045	160,726	165,549	170,515	175,630	151,177	191,582	197,331	203,251	209,350	215,628	1,781,156
Dulles Insurance Group	8,000	29.94	239,540	246,725	254,127	261,753	269,604	277,693	245,618	317,300	326,819	336,624	346,724	2,775,803
Dulles Private Finance	8,000	29.94	239,540	246,725	254,127	261,753	269,604	277,693	245,618	317,300	326,819	336,624	346,724	2,775,803
Dulles CompSci Corp	8,000	30.30	242,400	249,672	257,163	264,876	229,435	297,606	306,533	315,730	325,201	277,743	343,289	2,766,359
Govt Consulting Firm # 1	12,000	30.30	363,600	374,508	385,744	397,314	409,235	421,513	404,382	474,773	489,015	503,686	518,798	4,223,770
Govt Consulting Firm # 2	12,000	30.08	360,900	371,727	382,879	394,366	406,195	418,383	394,037	471,239	485,375	499,936	514,935	4,185,037
Total Rental Revenues	140,616		4,264,816	4,392,763	4,524,542	4,660,285	4,708,345	4,884,047	5,095,542	5,500,678	5,554,675	5,816,939	5,982,363	49,402,632
OpEx Reimbursements			111,153	160,133	211,370	264,226	231,923	243,126	199,620	187,870	202,385	219,336	263,607	2,031,142
Amortized TI Repayment			0	0	0	0	0	0	0	0	0	0	0	0
ESTIMATED GROSS REVENUES			4,375,969	4,552,896	4,735,912	4,924,511	4,940,268	5,127,173	5,295,162	5,688,548	5,757,060	6,036,275	6,245,970	51,433,774
LESS: VACANCY FACTOR 10.00%			(437,597)	(455,290)	(473,591)	(492,451)	(494,027)	(512,716)	(529,517)	(568,856)	(575,704)	(603,628)	(624,598)	(5,143,377)
GROSS REVENUES			3,938,372	4,097,606	4,262,321	4,432,060	4,446,241	4,614,457	4,765,645	5,119,692	5,181,356	5,432,647	5,621,372	46,290,397
Estimated Operating Expenses														
Utilities		$1.79	251,786	261,857	272,331	283,225	294,553	306,335	318,590	331,332	344,586	358,370	372,704	3,022,965
Grounds		$0.61	85,454	88,873	92,428	96,124	99,969	103,969	108,128	112,451	116,950	121,629	126,493	1,025,975
Security		$0.11	15,259	15,870	16,505	17,166	17,851	18,566	19,309	20,080	20,884	21,719	22,587	183,209
Garage		$0.00	0	0	0	0	0	0	0	0	0	0	0	0
Janitorial		$1.36	190,747	198,377	206,312	214,564	221,202	230,152	239,342	251,010	259,584	270,839	281,585	2,282,129
Payroll		$0.81	114,449	119,025	123,786	128,738	133,888	139,244	144,814	150,605	156,630	162,895	169,411	1,374,074
Management fee 3%		$0.82	115,526	120,196	125,029	130,006	130,423	135,358	139,792	150,178	151,986	159,358	164,893	1,357,852
Insurance		$0.54	76,299	79,351	82,524	85,826	89,259	92,828	96,542	100,404	104,421	108,596	112,940	916,050
Real Estate Taxes		$2.71	381,492	396,754	412,623	429,128	446,293	464,144	482,711	502,020	522,099	542,983	564,703	4,580,247
Non-Reimbursable		$0.07	10,442	10,860	11,293	11,745	12,216	12,703	13,213	13,739	14,291	14,862	15,455	125,364
Capital Expenditures		$0.11	14,915	15,513	16,135	16,779	17,450	18,147	18,875	19,629	20,414	21,231	22,079	179,088
ESTIMATED OPERATING EXPENSES		**$8.93**	1,256,369	1,306,676	1,358,966	1,413,301	1,463,104	1,521,446	1,581,316	1,651,448	1,711,845	1,782,482	1,852,850	15,046,953
ESTIMATED NET OPERATING INCOME			2,682,003	2,790,930	2,903,355	3,018,759	2,983,137	3,093,011	3,184,329	3,468,244	3,469,511	3,650,165	3,768,522	31,243,444
Tenant Improvements							(1,174,298)	(1,255,701)	(861,404)	(273,622)	(779,171)		(321,142)	(4,344,196)
Leasing Commissions							(459,189)	(265,406)	(242,859)	(122,769)	(191,272)		(65,613)	(1,281,495)
DEBT SERVICE			(2,183,155)	(2,183,155)	(2,183,155)	(2,183,155)	(2,183,155)	(2,183,155)	(2,183,155)	(2,183,155)	(2,183,155)	(2,183,155)		(21,831,552)
ESTIMATED NET CASH FLOW			**498,848**	**607,775**	**720,200**	**835,604**	**(833,505)**	**(611,251)**	**(103,089)**	**888,698**	**315,913**	**1,467,010**	**3,381,767**	**3,786,201**
Initial Investment		($7,908,250)												
Permanent Loan Proceeds			($4,290,415)											
Annual Cash Flow			$498,848	$607,775	$720,200	$835,604	($833,505)	($611,251)	($103,089)	$888,698	$315,913	$1,467,010		
Total Cash Flow		($7,908,250)	($3,791,567)	$607,775	$720,200	$835,604	($833,505)	($611,251)	($103,089)	$888,698	$315,913	$1,467,010		
Gross Sales Proceeds *(Following Years NOI)*			*$ 39,870,429*	*$ 41,476,500*	*$ 43,125,129*	*$ 42,616,243*	*$ 44,185,871*	*$ 45,490,414*	*$ 49,546,343*	*$ 49,564,443*	*$ 52,145,215*	*$ 53,836,029*		
Sales Costs		2.00%	-$797,409	-$829,530	-$862,503	-$852,325	-$883,717	-$909,808	-$990,927	-$991,289	-$1,042,904	-$1,076,721		
Less Remaining Loan (year end)			-$26,380,549	-$25,911,401	-$25,410,585	-$24,875,963	-$24,305,252	-$23,696,017	-$23,045,657	-$22,351,396	-$21,610,270	-$20,819,117		
Total Sales Proceeds			$ 12,692,471	$ 14,735,569	$ 16,852,041	$ 16,887,955	$ 18,996,902	$ 20,884,589	$ 25,509,759	$ 26,221,758	$ 29,492,041	$ 31,940,191	$ 30,473,182	
TEN YEAR IRR	**10.85%**		4.02%	9.11%	11.37%	10.22%	9.82%	9.41%	10.81%	10.31%	10.63%	10.85%		

MISCELLANEOUS ASSUMPTIONS & CALCULATIONS

REIMBURSEABLE EXPENSE SUMMARY			
Utilities		$1.79	
Grounds		$0.61	
Security		$0.11	
Garage		$0.00	
Janitorial		$1.36	
Payroll		$0.81	
Management fee	3%	$0.82	
Insurance		$0.54	
Real Estate Taxes		$2.71	
TOTAL REIMSBURSABLE EXPENSES			**$8.75**
NON-REIMBURSABLE EXPENSE SUMMARY			
TOTAL NON-REIMBURSABLE EXPENSES			**$0.07**
TOTAL CAPITAL RESERVES			**$0.11**
TOTAL OPERATING EXPENSES			**$8.93**

MISCELLANEOUS ITEMS	
VACANCY FACTOR	10.00%
ANNUAL INCREASE IN EXPENSES	3.00%
ROLLOVER TENANT IMPROVEMENT ALLOWANCE (BLENDED)	$0.00
ROLLOVER BROKERAGE COMMISSION RATE (BLENDED)	4.50%
DOWN TIME BETWEEN LEASES (BLENDED) / MONTHS	3
RETENTION	75.00%

CONSTRUCTION FINANCING			
TOTAL PROJECT COST			$39,541,248
EQUITY REQUIRED @	20%		$7,908,250
FINANCED PORTION @	80%		**$31,632,998**
PERMANENT FINANCING			
TOTAL PROJECT VALUE @	7.00%	CAPITALIZATION RATE	$38,314,329
EQUITY REQUIRED @	30%		$11,494,299
FINANCED PORTION @	70%		**$26,820,030**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Downside Scenario

Despite the lackluster returns from the "upside" scenario we also ran numbers for what would happen if there was a 4 month delay during the construction and lease up period.

Increased Interest Costs by over $500,000 and decreased percentage returns across the board. For example the internal capitalization rate went from 7.05% to 6.90%.

We also ran projections of sensitivity analysis in the following section.

DATE PRINTED 12/12/2007
File:

Dulles Gateway Center Phase II
DEVELOPMENT SUMMARY

Final Budget accepted this By:

GENERAL PROJECT INFORMATION

NAME:	Dulles Gateway Center Phase II	OWNER:	APA Properties # 1 c/o Peter Lawrence of VA
ADDRESS:	13921 Park Center Road Herndon, VA 20171		Reston, VA
TAX MAP:	Account # 0242 01 0011C2	DEVELOPER:	APA Properties # 1
ACREAGE:	19.1		Reston, VA
ZONING:	I-5	ARCHITECT:	Art Vandelay
USE:	Office		
TYPE:	Phase II Development		

DEVELOPMENT COST SUMMARY

	BUDGET AMOUNT	COST PER SQ. FT.	PERCENT OF TOTAL
Feasibilty Studies & Due Diligence	$37,000	$0.26	0.10%
Land & Other Acquisition Costs	3,833,280	27.26	9.92%
Site Plan & Engineering Costs	104,000	0.74	0.27%
Base Building Design Costs	653,350	4.65	1.69%
Development Conditions	100,000	0.71	0.26%
On-Site Improvement Costs	409,560	2.91	1.06%
Base Building Costs	19,669,817	139.88	50.90%
Tenant Construction & Allowances	6,998,160	49.77	18.11%
Indirect Costs	2,745,656	19.53	7.11%
Contingencies	1,473,838	10.48	3.81%
Interest	4,054,088	28.83	10.49%
GROSS PROJECT COSTS	$40,078,748	285.02	103.71%
Sub-Total	$40,078,748	285.02	103.71%
Income During Construction	($1,435,382)	(10.21)	-3.71%
TOTAL NET PROJECT COSTS	$38,643,366	$274.81	100.00%

GENERAL FINANCIAL INFORMATION

CONSTRUCTION LOAN	
INTEREST RATE	7.55%
PLACEMENT FEES (Lender)	0.50%
LOAN AMOUNT	$32,062,999
LOAN PER SQ. FT.	$228.02
LOAN TO COST RATIO	80.00%
LOAN TO VALUE RATIO	84.17%
EQUITY PORTION	20.00%
FINANCED PORTION	80.00%
CONSTRUCTION LOAN FUNDING DATE	Dec-2009
LOAN AMORT (Interest Only)	N/A
PERMANENT LOAN (Placed @ Stabilization)	Apr-2012
INTEREST RATE	6.55%
PLACEMENT FEES (Assumes 50bps funded by construction)	N/A
LOAN PER SQ. FT.	$189.63
LOAN AMOUNT	$26,665,170
LOAN TO COST RATIO	66.53%
LOAN TO VALUE RATIO	70.00%
COVERAGE FACTOR	1.23
PERM LOAN PROCEEDS	($4,955,101)
EQUITY PORTION	30.00%
FINANCED PORTION	70.00%
VALUATION CAP RATE	7.00%
LOAN AMORT (years)	25
OTHER ASSUMPTIONS	
GROSS LEASABLE AREA (Sq. Ft.)	**140,616**
NON-LEASABLE AREA (Sq. Ft.)	**10,584**
TOTAL BUILDING SQUARE FEET	**151,200**

The land is already owned by the developer. 4 acres of land will be allocated to DGC Phase II at a value of $22 per SF or $3,833,280. This value will be applied towards the owner's equity contribution for the construction loan.

LAND PURCHASE PER SQ FT OF OFFICE	
LAND PURCHASE PRICE	
START DATE OF CONST.	Aug-09

Basic Revenue Assumptions

PLVA will commence construction 8/1/2009. Construction will be completed 12 months later on 7/31/10. The lease up period is 18 months from August 2010 through January 2012.

DATE PRINTED 12/12/2007

Dulles Gateway Center Phase II
DEVELOPMENT SUMMARY

APA Properties # 1

INVESTMENT ANALYSIS

	ITEM AMOUNT	G.L.A. P.S.F.
INTERNAL CAPITALIZATION RATE		
NET OPERATING INCOME (FY 2013)	$2,666,517	$18.96
TOTAL NET PROJECT COST	$38,643,366	$274.81
CAPITALIZATION RATE	6.90%	n/a
DEVELOPMENT PROFIT		
CAPITALIZED VALUE	$38,093,100	$270.90
(7.00% Capitalization Rate)		
Less: Total Project Cost	(38,643,366)	($274.81)
Total Sales Costs (2.0%)	(761,862)	($5.42)
GROSS DEVELOPMENT PROFIT	($1,312,128)	($9.33)
RETURN ON COST ANALYSIS		
GROSS DEVELOPMENT PROFIT	($1,312,128)	($9.33)
TOTAL NET PROJECT COST	$38,643,366	$274.81
GROSS RETURN ON COST	-3.40%	
RETURN ON INVESTMENT ANALYSIS		
CASH FLOW AFTER DEBT SERVICE	$495,967	$3.53
EQUITY INVESTMENT	$8,015,750	$57.00
RETURN ON INVESTMENT	6.19%	
Internal Rate of Return		
TWO YEAR (Based on 7.00%Cap Rate)	9.21%	
TEN YEAR (Based on 7.00%Cap Rate)	10.98%	

REVENUE & EXPENSE SUMMARY

		ESTIMATED AMOUNT	G.L.A. P.S.F.	PERCENT %
REVENUE & EXPENSE SUMMARY:				
Estimated Revenues				
Stabilized Rental Revenues (FY 2013)		$4,262,244	$30.31	97.42%
Tenant Reimbursements		$113,062	$0.80	2.58%
Estimated Gross Revenues		$4,375,306	$31.12	100.00%
LESS: Vacancy Factor	10.00%	(437,531)	($3.11)	(10.00%)
Gross Effective Revenues		$3,937,775	$28.00	90.00%
Estimated Operating Expenses				
Utilities		$255,131	$1.81	5.83%
Grounds		$86,590	$0.62	1.98%
Security		$15,463	$0.11	0.35%
Garage		$0	$0.00	0.00%
Janitorial		$193,281	$1.37	4.42%
Payroll		$115,968	$0.82	2.65%
Management fee	3%	$115,508	$0.82	2.64%
Insurance		$77,314	$0.55	1.77%
Real Estate Taxes		$386,563	$2.75	8.84%
Non-Reimbursable		$10,476	$0.07	0.24%
Capital Expenditures		$14,964	$0.11	0.34%
Total Estimated Operating Expenses		$1,271,258	$9.04	29.06%
Estimated Net Operating Income		$2,666,517	$18.96	60.94%
Less: Estimated Debt Service		(2,170,550)	($15.44)	(49.61%)
Estimated Net Cash Flow		$495,967	$3.53	11.34%

DATE PRINTED 12/12/2007

Dulles Gateway Center Phase II
CASH FLOW SUMMARY

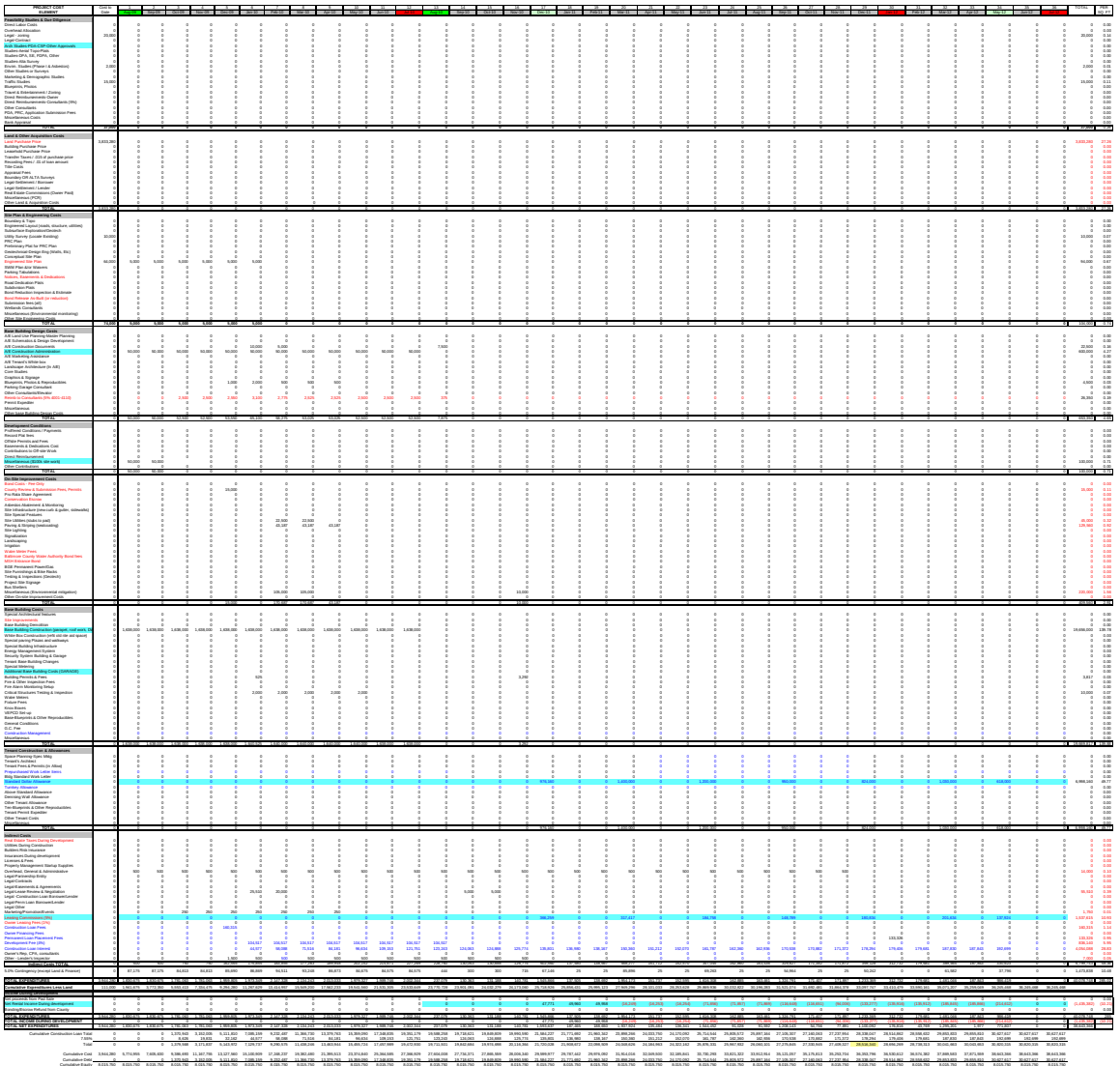
Credit Tenant in bold	SQUARE FEET	Initial FS Rental Rate	Year 1 03/01/2013	Year 2 FY 2014	Year 3 FY 2015	Year 4 FY 2016	Year 5 FY 2017	Year 6 FY 2018	Year 7 FY 2019	Year 8 FY 2020	Year 9 FY 2021	Year 10 FY 2022	Disposition Year 11 FY 2023	10 YEAR TOTAL
Estimated Rental Revenue														
Dulles Advertising Agency	9,000	30.61	275,515	283,782	292,294	301,064	310,094	266,361	343,993	354,312	364,942	375,889	354,018	3,168,246
CPA PennyPinchers Inc.	9,000	30.84	277,566	285,894	294,471	303,305	312,403	321,776	331,429	341,372	298,193	378,702	390,064	3,145,111
DGC Deli2Go	2,616	31.36	82,046	84,508	87,045	89,655	92,344	95,115	97,969	100,906	105,693	110,622	113,938	945,903
Tech Telecom Group	14,000	30.61	428,581	441,438	454,680	468,322	482,371	414,338	535,100	551,154	567,686	584,719	602,259	4,928,389
Honest Abe Law Firm	10,000	30.84	308,407	317,661	327,190	337,005	347,116	357,528	368,254	379,304	331,326	420,779	433,403	3,494,570
CIA Contractor	24,000	29.87	716,880	738,386	760,538	783,355	790,625	886,218	912,806	940,190	968,395	997,447	1,027,370	8,494,840
Aerospace Tech Firm	19,000	30.16	573,113	590,305	608,013	626,255	612,919	696,468	717,363	738,884	761,051	783,882	807,398	6,708,233
Fairfax-China Travel Svcs	5,000	31.13	155,658	160,329	165,139	170,093	175,195	150,217	191,107	196,840	202,745	208,829	215,093	1,776,132
Dulles Insurance Group	8,000	29.94	239,539	246,725	254,129	261,752	269,604	277,693	245,616	317,299	326,821	336,623	346,724	2,775,803
Dulles Private Finance	8,000	29.94	239,539	246,725	254,129	261,752	269,604	277,693	245,616	317,299	326,821	336,623	346,724	2,775,803
Dulles CompSci Corp	8,000	30.23	241,800	249,054	256,526	264,221	227,268	296,665	305,772	314,945	324,392	305,517	314,683	2,786,360
Govt Consulting Firm # 1	12,000	30.23	362,700	373,581	384,789	396,331	408,221	420,470	400,934	473,594	487,801	502,437	517,511	4,210,838
Govt Consulting Firm # 2	12,000	30.08	360,900	371,727	382,879	394,365	406,195	418,383	394,038	471,239	485,375	499,936	514,935	4,185,037
Total Rental Revenues	140,616		4,262,244	4,390,115	4,521,822	4,657,475	4,703,959	4,879,125	5,090,001	5,497,338	5,351,241	5,842,005	5,984,120	49,393,325
OpEx Reimbursements			113,062	165,767	217,669	270,041	236,992	251,102	207,582	189,234	201,751	211,766	260,208	2,064,966
Amortized TI Repayment			0	0	0	0	0	0	0	0	0	0	0	0
ESTIMATED GROSS REVENUES			4,375,306	4,555,882	4,739,491	4,927,516	4,940,951	5,130,227	5,297,583	5,686,572	5,752,992	6,053,771	6,244,328	51,460,291
LESS: VACANCY FACTOR 10.00%			(437,531)	(455,588)	(473,950)	(492,751)	(494,095)	(513,023)	(529,758)	(568,656)	(575,301)	(605,376)	(624,433)	(5,146,029)
GROSS REVENUES			3,937,775	4,100,294	4,265,541	4,434,765	4,446,856	4,617,204	4,767,825	5,117,916	5,177,691	5,448,395	5,619,895	46,314,262
Estimated Operating Expenses														
Utilities		$1.81	255,131	265,336	275,949	286,989	296,467	310,407	322,822	335,736	349,165	363,131	377,656	3,063,135
Grounds		$0.62	86,590	90,055	93,656	97,401	101,298	105,351	109,564	113,946	118,505	123,244	128,174	1,039,610
Security		$0.11	15,463	16,082	16,725	17,392	18,089	18,812	19,565	20,348	21,161	22,007	22,888	185,644
Garage		$0.00												0
Janitorial		$1.37	193,281	201,014	209,053	217,415	224,147	233,159	242,511	254,346	263,024	274,766	285,379	2,312,716
Payroll		$0.82	115,968	120,607	125,433	130,448	135,667	141,095	146,738	152,606	158,711	165,061	171,661	1,392,334
Management fee 3%		$0.82	115,508	120,276	125,121	130,087	130,442	135,438	139,855	150,126	151,879	159,820	164,850	1,338,332
Insurance		$0.55	77,314	80,404	83,621	86,967	90,445	94,061	97,825	101,740	105,807	110,039	114,443	928,233
Real Estate Taxes		$2.75	386,563	402,026	418,107	434,830	452,223	470,312	489,126	508,691	529,037	550,199	572,208	4,641,114
Non-Reimbursable		$0.07	10,476	10,895	11,331	11,783	12,256	12,744	13,257	13,784	14,337	8	16,505	110,871
Capital Expenditures		$0.11	14,964	15,564	16,187	16,834	17,507	18,207	18,936	19,693	20,481	21,301	22,151	179,674
ESTIMATED OPERATING EXPENSES		$9.04	1,271,258	1,322,261	1,375,183	1,430,146	1,480,541	1,539,586	1,600,199	1,671,016	1,732,107	1,789,576	1,874,917	15,211,873
ESTIMATED NET OPERATING INCOME			2,666,517	2,778,033	2,890,358	3,004,619	2,966,315	3,077,618	3,167,626	3,446,900	3,445,584	3,658,819	3,744,978	31,102,389
Tenant Improvements							(1,174,298)	(1,255,701)	(961,404)	(273,622)	(779,171)		(321,142)	(4,344,196)
Leasing Commissions							(459,169)	(255,406)	(242,859)	(122,769)	(191,272)		(65,613)	(1,281,495)
DEBT SERVICE			(2,170,550)	(2,170,550)	(2,170,550)	(2,170,550)	(2,170,550)	(2,170,550)	(2,170,550)	(2,170,550)	(2,170,550)	(2,170,550)		(21,705,496)
ESTIMATED NET CASH FLOW			495,967	607,483	719,808	834,069	($37,722)	(614,039)	(107,187)	879,959	304,591	1,488,270	3,358,223	3,771,202
Initial Investment		($8,015,750)												
Permanent Loan Proceeds			($4,955,101)											
Annual Cash Flow			$495,967	$607,483	$719,808	$834,069	($37,722)	($614,039)	($107,187)	$879,959	$304,591	$1,488,270		
Total Cash Flow		($8,015,750)	($4,459,133)	$607,483	$719,808	$834,069	($37,722)	($614,039)	($107,187)	$879,959	$304,591	$1,488,270		
Gross Sales Proceeds (Following Years NOI)			$ 39,456,256	$ 41,290,929	$ 43,203,128	$ 45,275,929	$ 45,865,872	$ 45,251,880	$ 49,241,429	$ 49,222,429	$ 52,268,845	$ 51,490,456		
Sales Costs		2.00%	-$789,125	-$825,819	-$864,063	-$905,519	-$917,317	-$905,038	-$984,829	-$984,453	-$1,045,377	-$1,029,809		
Less Remaining Loan (year end)			-$26,226,226	-$25,761,788	-$25,263,864	-$24,732,328	-$24,154,013	-$23,559,195	-$22,912,590	-$22,222,338	-$21,485,491	-$20,698,906		
Total Sales Proceeds			$ 12,664,236	$ 14,703,324	$ 16,800,802	$ 16,796,082	$ 16,921,739	$ 20,787,569	$ 25,344,010	$ 26,015,838	$ 29,737,977	$ 31,730,786	$ 30,242,516	
TEN YEAR IRR 10.98%			11.17%	9.21%	11.99%	10.43%	9.95%	9.44%	10.98%	10.39%	10.91%	10.98%		

MISCELLANEOUS ASSUMPTIONS & CALCULATIONS

REIMBURSEABLE EXPENSE SUMMARY		
Utilities		$1.81
Grounds		$0.62
Security		$0.11
Garage		$0.00
Janitorial		$1.37
Payroll		$0.82
Management fee	3%	$0.82
Insurance		$0.55
Real Estate Taxes		$2.75
TOTAL REIMSBURSABLE EXPENSES		$8.86
NON-REIMBURSABLE EXPENSE SUMMARY		
TOTAL NON-REIMBURSABLE EXPENSES		$0.07
TOTAL CAPITAL RESERVES		$0.11
TOTAL OPERATING EXPENSES		$9.04

MISCELLANEOUS ITEMS	
VACANCY FACTOR	10.00%
ANNUAL INCREASE IN EXPENSES	3.00%
ROLLOVER TENANT IMPROVEMENT ALLOWANCE (BLENDED)	$0.00
ROLLOVER BROKERAGE COMMISSION RATE (BLENDED)	4.50%
DOWN TIME BETWEEN LEASES (BLENDED) / MONTHS	3
RETENTION	75.00%

CONSTRUCTION FINANCING			
TOTAL PROJECT COST			$40,078,748
EQUITY REQUIRED @	20%		$8,015,750
FINANCED PORTION @	80%		$32,062,999
PERMANENT FINANCING			
TOTAL PROJECT VALUE @	7.00%	CAPITALIZATION RATE	$38,093,100
EQUITY REQUIRED @	30%		$11,427,930
FINANCED PORTION @	70%		$26,665,170



Sensitivity Analysis Scenarios

We ran additional sensitivity analysis scenarios to see what changes in certain assumptions would provide for different returns. For example we found the asset valuation cap rate could plan a significant factor in the gross return on cost and return on investment. The permanent loan proceeds could go from a positive $6M to a -$10M depending on the asset valuation. This is not to diminish the fact the lower the cap rate and the greater the loan amount would also mean the greater annual debt service to be paid off and greater risk for financial disaster should rent revenue's not be able to cover the increased debt service. This risk is evidenced in the return on investment analysis. This model also assumes the asset disposition cap rate mirrors the underwriting cap rate which will certainly not always be the case.

Sensitivity Analysis: What happens when the Valuation Cap Rate is Changed on the Permanent Loan								
VALUATION CAP RATE			5.00%		7.00%		9.00%	
PERMANENT LOAN (Placed @ Stabilization)			Jan-2012					
LOAN PER SQ. FT.			$267.03		$190.73		$148.35	
LOAN AMOUNT			$37,548,042		$26,820,030		$20,860,023	
LOAN TO COST RATIO			94.83%		67.83%		52.80%	
LOAN TO VALUE RATIO			70.00%					
COVERAGE FACTOR			0.88		1.23		1.58	
PERM LOAN PROCEEDS			$6,072,260		($4,290,415)		($10,047,457)	
EQUITY PORTION			30.00%					
FINANCED PORTION			70.00%					
INTEREST RATE			6.55%					
PLACEMENT FEES (Assumes 50bps funded by construct			N/A					
LOAN AMORT (years)			25					
			Capitalization Rate					
INVESTMENT ANALYSIS			5.00%		7.00%		9.00%	
			AMOUNT	G.L.A. P.S.F.	AMOUNT	G.L.A. P.S.F.	AMOUNT	G.L.A. P.S.F.
DEVELOPMENT PROFIT								
	CAPITALIZED VALUE		$53,640,060	$381.46	$38,314,329	$272.47	$29,800,033	$211.92
	Less:	Total Project Cost	(38,078,642)	($270.80)	(38,024,612)	($270.41)	(37,994,594)	($270.20)
		Total Sales Costs (2.0%)	(1,072,801)	($7.63)	(766,287)	($5.45)	(596,001)	($4.24)
	GROSS DEVELOPMENT PROFIT		$14,488,616	$103.04	($476,570)	($3.39)	($8,790,562)	($62.51)
RETURN ON COST ANALYSIS								
	GROSS DEVELOPMENT PROFIT		$14,488,616	$103.04	($476,570)	($3.39)	($8,790,562)	($62.51)
	TOTAL NET PROJECT COST		$38,078,642	$270.80	$38,024,612	$270.41	$37,994,594	$270.20
	GROSS RETURN ON COST		38.05%		-1.25%		-23.14%	
RETURN ON INVESTMENT ANALYSIS								
	CASH FLOW AFTER DEBT SERVI		($374,414)	($2.66)	$498,848	$3.55	$983,993	$7.00
	EQUITY INVESTMENT		$7,919,056	$56.32	$7,908,250	$56.24	$7,902,246	$56.20
	RETURN ON INVESTMENT		-4.73%		6.31%		12.45%	
Internal Rate of Return								
	TWO YEAR (Based on above % Cap Rate)		37.36%		9.11%		-12.53%	
	TEN YEAR (Based on above % Cap Rate)		18.51%		10.85%		7.12%	

We also wanted to run sensitivity analysis on the construction costs. One of the great challenges these past few years facing developers has been the rapidly increasing construction costs. We ran three different scenarios to see how the returns could vary if we adjusted construction costs to be either 10% lower or higher than the pro-forma model. Because we assumed the stabilized revenue Cash Flows and equity investment would be the same the stabilized revenue returns are no different across the three scenarios. However, clearly we can see how the development period Gross Development Profit and Return on Cost figures do have significant favorable and unfavorable returns should construction costs either increase by 10% or be able to be "value engineered" downwards 10%. Again, as recognized in the marketing section of this report, all of these returns are predicated on an 18 month lease up period which given current market vacancy is highly unlikely.

INVESTMENT ANALYSIS			Change Construction Costs by: Increase by: 10% ITEM AMOUNT	Increase by: 10% G.L.A. P.S.F.	Pro-Forma ITEM AMOUNT	Pro-Forma G.L.A. P.S.F.	Decrease by: 10% ITEM AMOUNT	Decrease by: 10% G.L.A. P.S.F.
INTERNAL CAPITALIZATION RATE								
NET OPERATING INCOME (FY 2(			$2,682,003	$19.07	$2,682,003	$19.07	$2,682,003	$19.07
TOTAL NET PROJECT COST			$41,827,073	$270.41	$38,024,612	$270.41	$34,567,829	$270.41
CAPITALIZATION RATE			6.41%	n/a	7.05%	n/a	7.76%	n/a
DEVELOPMENT PROFIT								
CAPITALIZED VALUE			$38,314,329	$272.47	$38,314,329	$272.47	$38,314,329	$272.47
(7.00%	Capitalization Rate)							
Less:	Total Project Cost		(41,827,073)	($297.46)	(38,024,612)	($270.41)	(34,567,829)	($245.83)
	Total Sales Costs (2.0%)		(766,287)	($5.45)	(766,287)	($5.45)	(766,287)	($5.45)
GROSS DEVELOPMENT PROFIT			($4,279,031)	($30.43)	($476,570)	($3.39)	$2,980,213	$21.19
RETURN ON COST ANALYSIS								
GROSS DEVELOPMENT PROFIT			($4,279,031)	($30.43)	($476,570)	($3.39)	$2,980,213	$21.19
TOTAL NET PROJECT COST			$41,827,073	$270.41	$38,024,612	$270.41	$34,567,829	$270.41
GROSS RETURN ON COST			-10.23%		-1.25%		8.62%	
RETURN ON INVESTMENT ANALYSIS								
CASH FLOW AFTER DEBT SERVI			$498,848	$3.55	$498,848	$3.55	$498,848	$3.55
EQUITY INVESTMENT			$7,908,250	$56.24	$7,908,250	$56.24	$7,908,250	$56.24
RETURN ON INVESTMENT			6.31%		6.31%		6.31%	
Internal Rate of Return								
TWO YEAR (Based on 7.00% Cap Rate)			9.11%		9.11%		9.11%	
TEN YEAR (Based on 7.00% Cap Rate)			10.85%		10.85%		10.85%	

IX. PROJECT MANAGEMENT PLAN

Owner

The owner of the project will be the current landowner with no outside equity investors.

Development Management

The developer has a proven track record of success with internal talent.

Architect

Landscape Architecture and Engineer services will be performed by VIKA, Inc. based out of McLean, VA. The building architecture and design will be done by Hickok Cole Architects based out of Washington, DC.

Construction Contractor / Management

Whiting Turner Contracting Company will be used as a General Contractor.

Land Use Attorney

The firm has retained the services of Sack, Harris, & Martin, P.C., based out of McLean, VA.

Leasing & Marketing

The firm will use Cassidy & Pinkard Colliers for leasing and marketing.

Property Management

The firm will use its own internal Property Management division which is based out of Reston, VA.

X. CONCLUSIONS AND RECOMMENDATIONS

The ownership of Dulles Gateway Center – Phase I currently own the adjacent undeveloped vacant land. The purpose of this study was to ascertain the feasibility to develop an office building known as Dulles Gateway Center – Phase II on the vacant land. We identified the surrounding market as having long-term potential with a strong employment base and highly educated workforce.

The location of the Dulles Gateway Center is well positioned along Route 28/Sully Road, a major thoroughfare within Fairfax County. Route 28/Sully Road as a highway connecting to I-66, Route 50, and the Dulles Toll Road will continue to serve the commuter needs well into the future. We also learned through the potential future northward expansion of Park Center Road through the Middleton Farm to be developed by Kettler there is the opportunity to have increased property value and access to the site.

We also identified challenges which Dulles Gateway Center will face from competing properties nearby to the north at the two master planned development areas of Dulles Corner and Dulles Station. These two development areas provide closer proximity to the planned Dulles Metrorail line and a host of on-site and nearby amenities such as restaurants, walking paths, and other business accommodations. This model of supporting amenities is also found at the Westfields and Avion Park to the south of Dulles Gateway which supports tenants who cater to government agencies such as the NRO.

Through conversation and interviews we assembled a regulatory and construction timeline and budget, gained market insight to develop the market lease up model with asking rental rates, tenant allowance packages. We researched employment growth trends from government data to calculation a demand projection of 1,754,142 SF between 2010 and 2015. However, we also concluded through data abstracted through CoStar the marketplace will have approximately 3,000,000 SF of supply going into this same period of time. And, we ran a pro forma financial model to conclude the marginal returns do not outweigh the market risk given current and projected vacancy and absorption rates. Especially when the modeled projections provide a Return on Cost of -1.25%

It is our recommendation should office space be the desired product for the ownership then the development should only be undertaken with a build-to-suit or significant pre-lease agreement already in place. Otherwise, given the long-term strong fundamentals of the marketplace the land should retain its value. Should the ownership have a desire to gain value out of the vacant land today then a recommendation to either sell the land outright or explore ground lease options to a developer of an alternative product such as a hotel may be appropriate.

XI. Endnotes:

i http://www.fairfaxcountyeda.org/ffx_comparison.htm#unemploy

ii Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW), 3rd Quarter (July, August, September) 2006.

iii http://www.fairfaxcountyeda.org/re_dulles.htm

iv COG Publication Number 20068279 10-11-06 http://www.mwcog.org/store/item.asp?PUBLICATION_ID=279

v http://www.cra-gmu.org/forecastreports/EvolutionandFutureStructureFairfaxEconomy.pdf The Evolution and Future Structure of the Fairfax County Economy – August 2004 , Stephen Fuller, Ph.D.

vi CB Richard Ellis Market View Report 2nd Qtr 2007.

vii http://www.commercialpropertynews.com/cpn/property_type/article_display.jsp?vnu_content_id=1003611136

viii Park Center Road Agreement, Fairfax County Land Records Project No. 5464, Sheet No. 22.

ix Proposed Comprehensive Plan Amendment (Item: S06-III-UP1 – November 22, 2006)

x 02/14/2007, Middleton Farms plan fails, TimesCommunity.com, By: Layla Wilder;
http://www.timescommunity.com/site/printerFriendly.cfm?brd=2553&dept_id=576934&newsid=17852489

xi http://midatlantic.transwestern.net/lease_costar.asp?SiteID=21960&Checksum=84866&Demo=0

xii http://www.mwaa.com/dulles/about_dulles_international_2/about_dulles_international

xiii http://www.mwaa.com/dulles/about_dulles_international_2/facts_2

xiv CoStar Traffic Counts report. See Appendix for chart.

xv http://www.commuterpage.com/schedules/sched.cfm?id=97&day=Weekday&op=10&r=560

xvi http://www.dullesmetro.com/info/faqs.cfm#1

xvii http://www.dullesmetro.com/pdfs/Spring_07%20Fact%20Sheet.pdf

xviii http://www.28freeway.com/projectoverview.html

xix http://www.fairfaxcounty.gov/dpz/comprehensiveplan/area3/dulles.pdf p. 72

xx http://www.28freeway.com/project-map/5-fryingpan.html

xxi http://www.fairfaxcounty.gov/news/2006/299.htm

xxii http://www.fairfaxcounty.gov/demogrph/demrpts/poppd.pdf

xxiii http://www.fairfaxcounty.gov/demogrph/gendemo.htm

xxiv “Anticipating the Future -- A Discussion of Trends in Fairfax County, March 2006”, p.35

xxv "Industry dynamics in the Washington, DC, area: has a second job core emerged?" by Gerald Perrins and Diane Nilsen, Bureau of Labor Statistics, Monthly Labor Review December 2006: http://www.bls.gov/opub/mlr/2006/12/art1full.pdf

xxvi http://www.fairfaxcountyeda.org/re_dulles.htm

xxvii Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW), 3rd Quarter (July, August, September) 2006.

xxviii http://www.fairfaxcountyeda.org/ffx_comparison.htm#unemploy

xxix http://velma.virtuallmi.com/lmi/area/areadetailreportx.asp?session=areadetail&geo=5104000059&print=1

xxx Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce. CA25N Footnotes.
http://www.bea.gov/regional/reis/CA25Nfn.cfm

xxxi COG Publication Number 20068279 10-11-06 http://www.mwcog.org/store/item.asp?PUBLICATION_ID=279

xxxii http://www.mwcog.org/store/item.asp?PUBLICATION_ID=285 Round 7.0a Cooperative Forecasting: Employment Forecasts to 2030 by Traffic Analysis Zone

xxxiii http://www.cra-gmu.org/forecastreports/EvolutionandFutureStructureFairfaxEconomy.pdf The Evolution and Future Structure of the Fairfax County Economy – August 2004 , Stephen Fuller, Ph.D.

xxxiv Thursday, Feb. 08, 2007 The Federal Job Machine By Justin Fox

xxxv Data abstracted from: http://censtats.census.gov/cgi-bin/cbpnaic/cbpsect.pl

xxxvi Cassidy & Pinkard – Market Insights 3rd Quarter 2006 – Northern Virginia

xxxvii Cassidy & Pinkard – Market Insights 4th Quarter, Year-End 2006 – Northern Virginia VA4thQtrMarketInsights.pdf

xxxviii Cassidy & Pinkard – Market Insights 1st Quarter 2007 – Northern Virginia

xxxix Grubb & Ellis 2007 Forecast: http://www.grubb-ellis.com/research/forecast2007/

xl Grubb&Ellis_office_1stQtr07.pdf : : http://www.grubb-ellis.com/research/forecast2007

xlihttp://gkc3.cbre.com/DocServing/ShowReport.aspx?fileId=99010694&qs=MarketSelect%3d167%26Val1%3d%26Val2%3d%26Val3%3d%26Val4%3d%26Cat1%3dIndustry%26Cat2%3dQuarter%26Cat3%3dYear%26Cat4%3dYear%26ReportType%3d3%26KeywordSelect%3d%26CheckBox1%3d0

xlii Metro Washington Market Perspective – December 2006 – Greater Washington Commercial Association of Realtors www.gwcar.org

xliii http://www.examiner.com/a-878078~Fairfax_County_school_enrollment_continues_flat_as_neighbors_boom.html

"Fairfax County school enrollment continues flat as neighbors boom" by William C. Flook, The Examiner Aug 13, 2007 3:00 AM

xliv Proposed Comprehensive Plan Amendment (Item: S06-III-UP1 – November 22, 2006)

xlv FAIRFAX COUNTY COMPREHENSIVE PLAN, 2003 Edition AREA III

Area Plan Overview, Amended through 2-10-2003, Introduction Page 22-23.

xlvi FAIRFAX COUNTY COMPREHENSIVE PLAN, 2007 Edition AREA III, Dulles Suburban Center, Amended through 5-15-2006 Dulles Suburban Center Area-Wide Recommendations Page 35

xlvii FAIRFAX COUNTY COMPREHENSIVE PLAN, 2003 Edition AREA III, Area Plan Overview, Amended through 2-10-2003, Introduction Page 18-21

xlviii http://www.fairfaxcounty.gov/dpwes/environmental/soilrating.htm

xlix Per "Plat Showing Temporary Turnaround Easement on Parcel 11C-2" The Dulles Gateway Center Deed Book 10985 Page 1002, Sully District, Fairfax County, VA dated January 31, 2007.

l Per "Plat Showing Temporary Turnaround Easement on Parcel 11C-2" The Dulles Gateway Center Deed Book 10985 Page 1002, Sully District, Fairfax County, VA dated January 31, 2007.

lihttp://www.njslom.org/magart0306_pg72.html

lii http://www.fairfaxcounty.gov/dpz/zoning/seprocess.htm

XII. APPENDIX

Exhibit 1 – Labor Market Information

Labor Market Information - Industries

The total number of employees located in Fairfax County in 2006 was 575,729. The largest major industry sector was Professional, Scientific & Technical Svc, with 25 percent of the employment, followed by Retail Trade (44 & 45) with 10 percent, and Health Care and Social Assistance with 8 percent.

Here is a list of major industries in Fairfax County . These industry figures are for the 2nd Quarter 2006 time period.

Industry Group	Establishments	Employees
Total, all industries	31,160	575,729
Professional, Scientific & Technical Svc	7,916	141,721
Retail Trade (44 & 45)	2,771	55,432
Health Care and Social Assistance	2,287	46,318
Education Services	477	44,087
Admin., Support, Waste Mgmt, Remediation	1,771	39,679
Accommodation and Food Services	1,756	37,704

Construction	2,672	35,135
Information	877	30,005
Finance and Insurance	1,684	25,074
Public Administration	120	21,145
Other Services (except Public Admin.)	4,491	20,518
Management of Companies and Enterprises	225	18,686
Wholesale Trade	1,472	15,561
Manufacturing (31-33)	450	11,257
Arts, Entertainment, and Recreation	359	10,739
Transportation and Warehousing (48 & 49)	361	10,380
Real Estate and Rental and Leasing	1,430	10,109
Utilities	23	1,961
Agriculture, Forestry, Fishing & Hunting	13	115
Mining	4	106
Unclassified establishments	Confidential	Confidential

Source: Labor Market Statistics, Covered Employment and Wages Program

http://velma.virtuallmi.com/lmi/area/areadetailreportx.asp?session=areadetail&geo=5104000059&print=1

Exhibit 2 – Employment by Industry

Fairfax County — Economic Profile

Employment by Industry

Total: 577,006

Note: Asterisk (*) indicates non-disclosable data.

Source: Virginia Employment Commission,
Quarterly Census of Employment and Wages (QCEW), 3rd Quarter (July, August, September) 2006.

Virginia Employment Commission — Page 21 of 37

Exhibit 3 – Employment by Major Occupation Group

Employment by Major Occupation Group

	Employment			Openings		
	Estimated 2002	Projected 2012	% Change	Replace-ments	Growth	Total
Total All occupations	1,010,969	1,255,229	24.16%	23,390	24,731	48,121
Management Occupations	61,754	78,267	26.74%	1,140	1,662	2,802
Business and Financial Operations Occupations	74,793	101,366	35.53%	1,195	2,627	3,822
Computer and Mathematical Occupations	87,383	125,734	43.89%	1,150	3,821	4,971
Architecture and Engineering Occupations	23,308	25,721	10.35%	549	251	800
Life, Physical, and Social Science Occupations	9,995	11,862	18.68%	216	183	399
Community and Social Services Occupations	9,134	12,097	32.44%	178	297	475
Legal Occupations	14,286	17,181	20.26%	118	284	402
Education, Training, and Library Occupations	50,770	69,349	36.59%	1,051	1,857	2,908
Arts, Design, Entertainment, Sports, and Media Occupations	14,239	17,738	24.57%	262	351	613
Healthcare Practitioners and Technical Occupations	30,114	39,915	32.55%	593	986	1,579
Healthcare Support Occupations	14,515	21,412	47.52%	253	690	943
Protective Service Occupations	25,200	33,296	32.13%	719	812	1,531
Food Preparation and Serving Related Occupations	70,298	90,897	29.3%	2,824	2,059	4,883
Building and Grounds Cleaning and Maintenance Occupations	42,085	54,079	28.5%	848	1,199	2,047
Personal Care and Service Occupations	22,575	29,554	30.91%	575	700	1,275
Sales and Related Occupations	108,927	126,459	16.1%	3,608	1,786	5,394
Office and Administrative Support Occupations	184,486	208,113	12.81%	4,282	2,547	6,829
Farming, Fishing, and Forestry Occupations	336	356	5.95%	9	2	11
Construction and Extraction Occupations	50,650	60,146	18.75%	1,078	956	2,034
Installation, Maintenance, and Repair Occupations	41,944	47,931	14.27%	981	640	1,621
Production Occupations	24,088	25,301	5.04%	604	183	787
Transportation and Material Moving Occupations	50,089	58,455	16.7%	1,157	839	1,996

Note: Asterisks ("") indicate non-disclosable data.*
Projections data is for Combined Projections Area (LWIA XI and LWIA XII). No data available for Fairfax County.

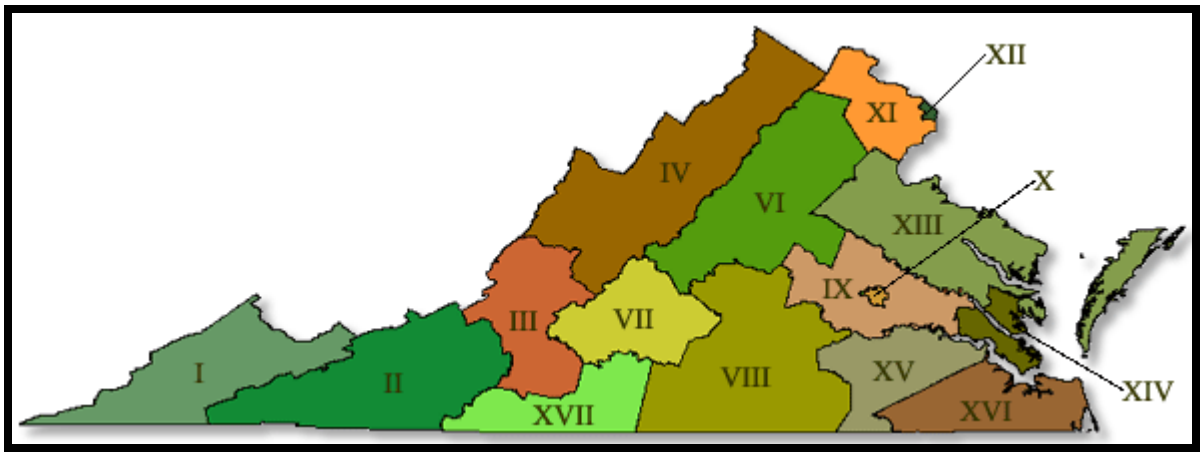
Source: Virginia Employment Commission,
Industry and Occupational Projections, 2002-2012.

Exhibit 4 – Employment Projections

Industry Employment & Projections data in Combined Projections Area (LWIA XI and LWIA XII) from Base Year 2002 to Projected Year 2012.

Industry Code	Industry Title	Estimated Employment	Projected Employment	Total Employment Change	Annual Avg. Percent Change	Total Percent Change
000000	Total Employment, All Jobs	1,010,969	1,255,229	244,260	2.19	24.2
101100	Natural Resources and Mining	551	477	-74	-1.43	-13.4
101200	Construction	65,225	76,750	11,525	1.64	17.7
101300	Manufacturing	22,832	22,433	-399	-0.18	-1.7
102100	Trade, Transportation, and Utilities	166,329	190,847	24,518	1.38	14.7
102200	Information	60,399	77,288	16,889	2.50	28.0
102300	Financial Activities	53,718	60,430	6,712	1.18	12.5
102400	Professional and Business Services	260,055	352,718	92,663	3.09	35.6
102500	Education and Health Services	141,197	191,733	50,536	3.11	35.8
102600	Leisure and Hospitality	87,656	111,719	24,063	2.46	27.5
102700	Other Services (Except Government)	45,996	58,967	12,971	2.52	28.2
102800	Government	107,011	111,867	4,856	0.44	4.5

Source: Projections Team and Bureau of Labor Statistics



Fairfax, Fairfax City + Falls Church

	LineCode	LineTitle	2004				
51919	10	Total employment	785,652				
51919	20	Wage and salary employment		645,327			
51919	40	Proprietors employment		140,325			
51919	50	Farm proprietors employment			129		
51919	60	Nonfarm proprietors employment 2/			140,196		
51919	70	Farm employment		200			
51919	80	Nonfarm employment		785,452			
51919	90	Private employment			684,391		
51919	100	Forestry, fishing, related activities, and other 3/				(D)	
51919	200	Mining				(D)	
51919	300	Utilities				(D)	
51919	400	Construction				45,883	7%
51919	500	Manufacturing				(D)	
51919	600	Wholesale trade				(D)	
51919	700	Retail trade				73,305	11%
51919	800	Transportation and warehousing				(D)	
51919	900	Information				39,448	6%
51919	1000	Finance and insurance				33,779	5%
51919	1100	Real estate and rental and leasing				34,434	5%
51919	1200	Professional and technical services				167,276	24%
51919	1300	Management of companies and enterprises				18,687	3%
51919	1400	Administrative and waste services				54,355	8%
51919	1500	Educational services				13,357	2%
51919	1600	Health care and social assistance				55,004	8%
51919	1700	Arts, entertainment, and recreation				15,902	2%
51919	1800	Accommodation and food services				43,554	6%
51919	1900	Other services, except public administration				43,738	6%
51919	2000	Government and government enterprises			101,061		
51919	2001	Federal, civilian				37,567	
51919	2002	Military				7,240	
51919	2010	State and local				56,254	
51919	2011	State government					10,616
51919	2012	Local government					45,638

Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce
CA25N Footnotes
http://www.bea.gov/regional/reis/CA25Nfn.cfm

Exhibit 5 – Employment Forecasts

Summary of Intermediate Employment Forecasts

Round 7.0a Cooperative Forecasts

(Thousands)

JURISDICTION	2000	2005	2010	2015	2020	2025	2030
District of Columbia	743.6	744.8	783.5	816.0	829.5	843.8	859.1
Arlington County	182.6	195.2	217.8	237.8	254.4	263.6	275.8
City of Alexandria	89.3	105.6	113.3	123.2	132.5	141.3	148.0
Central Jurisdictions	**1,015.5**	**1,045.6**	**1,114.5**	**1,177.0**	**1,216.5**	**1,248.7**	**1,282.9**
Montgomery County (1)	474.3	500.0	545.0	580.0	615.0	645.0	670.0
Rockville (2)	68.7	75.3	87.6	93.7	99.9	102.1	104.7
Prince George's County	338.3	358.7	390.0	424.0	460.9	501.0	544.7
Fairfax County (3)	577.0	600.5	683.9	729.6	774.5	814.2	844.6
City of Fairfax (4)	28.8	29.2	31.3	33.3	35.3	37.3	39.3
City of Falls Church	9.5	9.5	11.8	15.1	17.8	19.9	20.3
Inner Suburbs	**1,427.8**	**1,498.0**	**1,662.0**	**1,782.0**	**1,903.5**	**2,017.4**	**2,118.9**
Loudoun County	90.5	122.7	153.7	183.8	212.9	242.0	271.2
Prince William County	94.6	111.6	128.6	143.7	159.1	173.5	186.0
City of Manassas	22.5	23.3	24.6	26.2	26.3	26.6	26.8
City of Manassas Park	2.7	3.0	4.5	4.6	4.7	4.8	4.9
Calvert County (5)	22.8	29.4	32.9	33.7	34.5	35.1	35.6
Charles County (5)	41.9	56.5	62.9	64.8	66.8	67.9	69.1
Frederick County	96.3	122.2	142.4	151.5	158.3	163.5	167.3
Stafford County (6)	30.5	38.3	46.1	52.7	59.2	66.3	73.4
Outer Suburbs	**401.9**	**506.9**	**595.8**	**660.9**	**721.9**	**779.7**	**834.3**
Northern Virginia	**1,128.0**	**1,238.9**	**1,415.7**	**1,550.0**	**1,676.9**	**1,789.5**	**1,890.3**
Suburban Maryland	**973.6**	**1,066.8**	**1,173.2**	**1,253.9**	**1,335.5**	**1,412.5**	**1,486.6**
MSA REGIONAL TOTAI	**2,845.2**	**3,050.4**	**3,372.3**	**3,619.9**	**3,841.8**	**4,045.9**	**4,236.0**

(1) Forecasts for years 2000 to 2030 include all of Takoma Park.
(2) Included in Montgomery County total.
(3) Forecasts for all years include Fairfax County Government employees working at the Fairfax County Public Safety Center.
(4) Forecasts for all years do not include Fairfax County Government employees (+/- 2,000 jobs) working at the Fairfax County Public Safety Center.
(5)Tri-County Council for Southern Maryland develops ten-year incremental population, housing unit and employment forecasts for Calvert County, Charles County and St. Mary's County.
(6) Source: Fredericksburg Area Metropolitan Planning Organization (FAMPO). CLRP 2030 Projections, March 2005, adjusted to common employment definition.

[1] COG Publication Number 20068279 10-11-06 http://www.mwcog.org/store/item.asp?PUBLICATION_ID=279

Exhibit 6 – Commuter Jobs to Fairfax County

Commuters to Jobs in Fairfax County, Virginia

Workplace County to Residence County Flows for Virginia,
Sorted by Workplace State and County
Count: Number of Workers 16 Years and Over in Commuter Flow
Source: U.S. Census Bureau

FIPS County Code of Residence	FIPS (C)MSA Code of Residence	FIPS PMSA Code of Residence	Residence County and State	FIPS State Code of Workplace	FIPS County Code of Workplace	FIPS (C)MSA of Workplace	FIPS PMSA of Workplace	Workplace County or City	Number of Workers in Flow	Percent of Workplace's Employed
059	8872	8840	Fairfax Co VA	051	059	8872	8840	Fairfax Co VA	278,064	54.92%
153	8872	8840	Prince William Co VA	051	059	8872	8840	Fairfax Co VA	44,322	8.75%
107	8872	8840	Loudoun Co VA	051	059	8872	8840	Fairfax Co VA	35,933	7.10%
031	8872	8840	Montgomery Co MD	051	059	8872	8840	Fairfax Co VA	22,148	4.37%
013	8872	8840	Arlington Co VA	051	059	8872	8840	Fairfax Co VA	20,476	4.04%
033	8872	8840	Prince George's Co MD	051	059	8872	8840	Fairfax Co VA	18,258	3.61%
510	8872	8840	Alexandria city VA	051	059	8872	8840	Fairfax Co VA	14,643	2.89%
001	8872	8840	District of Columbia DC	051	059	8872	8840	Fairfax Co VA	12,244	2.42%
179	8872	8840	Stafford Co VA	051	059	8872	8840	Fairfax Co VA	7,249	1.43%
061	8872	8840	Fauquier Co VA	051	059	8872	8840	Fairfax Co VA	5,499	1.09%
683	8872	8840	Manassas city VA	051	059	8872	8840	Fairfax Co VA	5,145	1.02%
600	8872	8840	Fairfax city VA	051	059	8872	8840	Fairfax Co VA	4,964	0.98%
177	8872	8840	Spotsylvania Co VA	051	059	8872	8840	Fairfax Co VA	3,160	0.62%
017	8872	8840	Charles Co MD	051	059	8872	8840	Fairfax Co VA	2,475	0.49%
003	8872	0720	Anne Arundel Co MD	051	059	8872	8840	Fairfax Co VA	2,439	0.48%
187	8872	8840	Warren Co VA	051	059	8872	8840	Fairfax Co VA	2,246	0.44%
685	8872	8840	Manassas Park city VA	051	059	8872	8840	Fairfax Co VA	1,964	0.39%
027	8872	0720	Howard Co MD	051	059	8872	8840	Fairfax Co VA	1,856	0.37%
021	8872	8840	Frederick Co MD	051	059	8872	8840	Fairfax Co VA	1,786	0.35%
610	8872	8840	Falls Church city VA	051	059	8872	8840	Fairfax Co VA	1,653	0.33%
047	8872	8840	Culpeper Co VA	051	059	8872	8840	Fairfax Co VA	1,560	0.31%
069	9999	9999	Frederick Co VA	051	059	8872	8840	Fairfax Co VA	1,442	0.28%
037	8872	8840	Jefferson Co WV	051	059	8872	8840	Fairfax Co VA	1,241	0.25%
			Other	051	059	8872	8840	Fairfax Co VA	15,505	3.06%
									506,272	100.00%

Data abstracted from: http://censtats.census.gov/cgi-bin/cbpnaic/cbpsect.pl

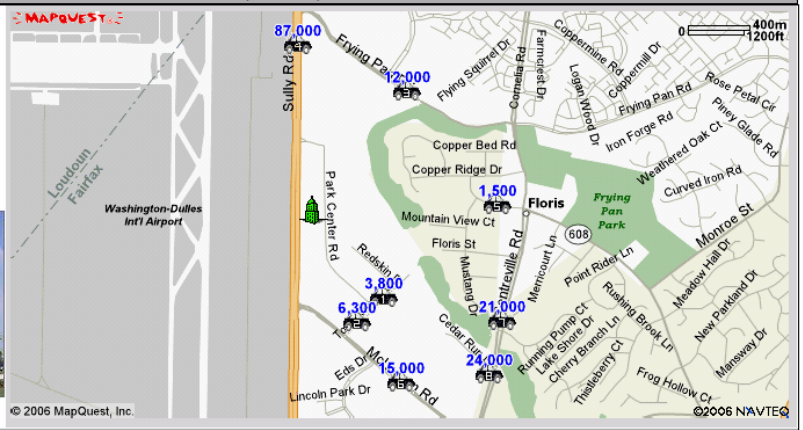
Traffic Counts in immediate vicinity provided by CoStar:

Exhibit 7 – Traffic Counts

Traffic Count Report

Dulles Gateway Ph 1
13921 Park Center Rd, Herndon, VA 20171

Building Type: Class A Office
Class: A
RBA: 147,624 SF
Typical Floor: 25,577 SF
Total Available: 116,370 SF
% Leased: 21.17%
Rent/SF/Yr: $27.00



	Street	Cross Street	Cross Str Dist	Count Year	Avg Daily Volume	Volume Type	Miles from Subject Prop
1	Towerview Rd	Redskin Dr	0.07 NE	2000	3,800	AADT	.43
2	Towerview Rd	Redskin Dr	0.21 NE	2002	6,300	AADT	.46
3	Frying Pan Rd	James Madison Ci	0.80 E	2002	12,000	AADT	.62
4	Sully Rd	Lee Jackson Memorial Hwy	3.42 S	2002	87,000	AADT	.69
5	W Ox Rd	Point Rider Ln	0.51 SE	2002	1,500	AADT	.73
6	McLearen Rd		0.00	2002	15,000	AADT	.75
7	Centreville Rd	Kinross Cir	0.74 S	2002	21,000	AADT	.85
8	Cedar Run Ln		0.00	2000	24,000	AADT	.93

4/10/2007
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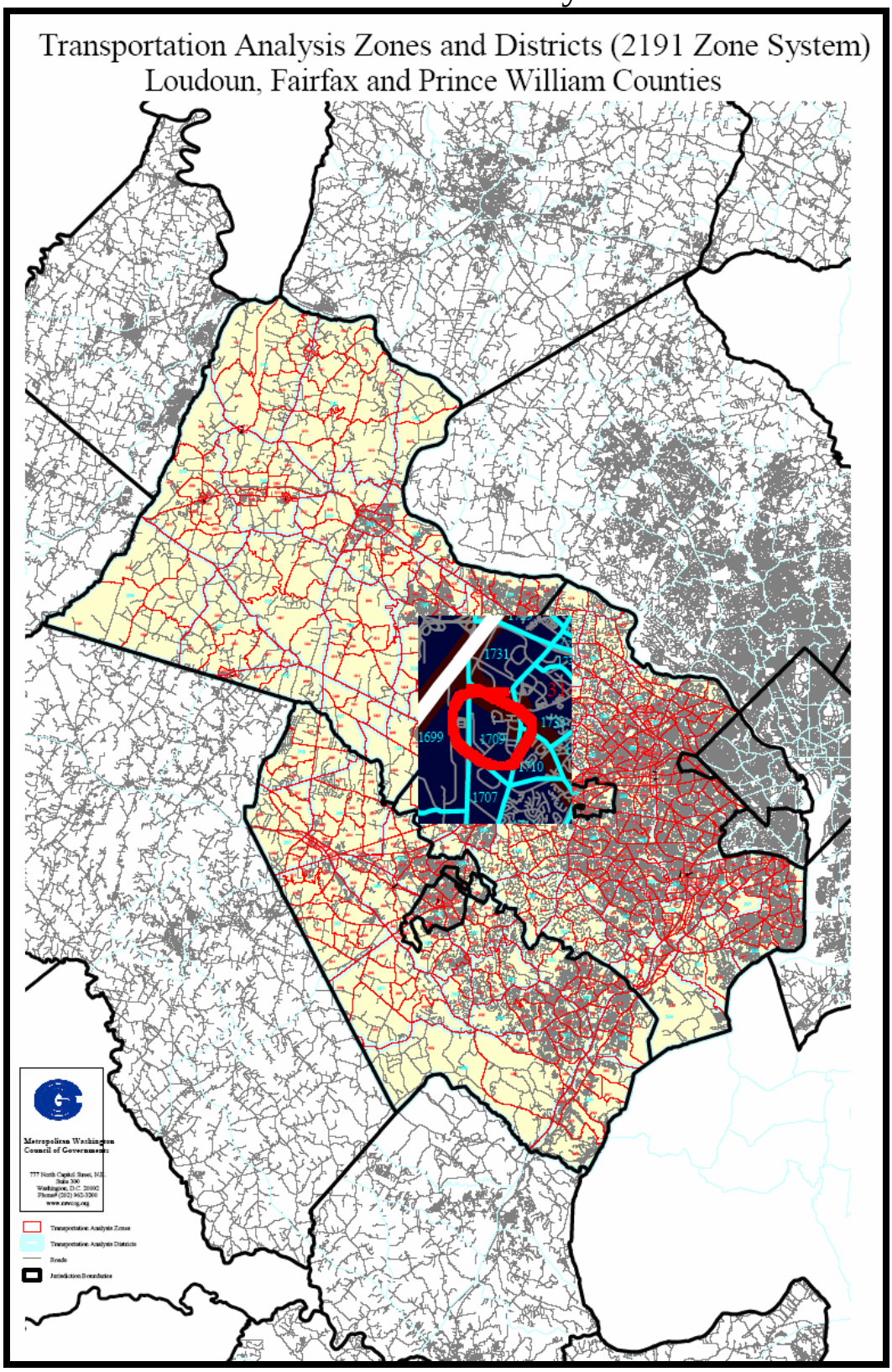
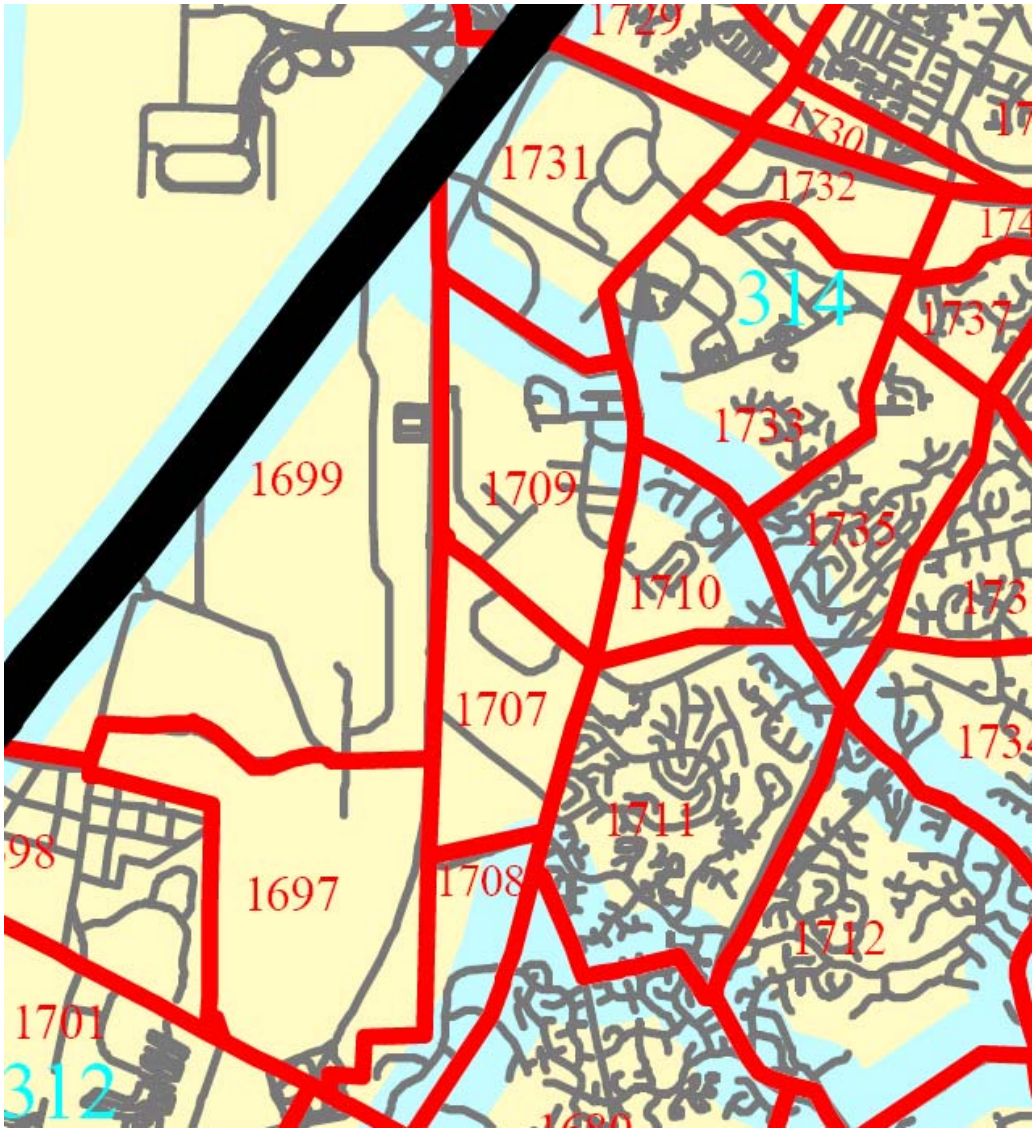
TRAFFIC COUNTS

ROAD	FROM	TO	AVERAGE VEHICLES PER DAY
Lee-Jackson Highway (U.S. Route 50)	Route 28 at Dulles Airport	Fairfax County Parkway (Route 7100)	72,000
Lee-Jackson Highway	Fairfax County Parkway	West Ox Road (Route 608)	80,000
Lee-Jackson Highway	West Ox Road	I-66	117,000
Lee-Jackson Highway	I-66	Fairfax western city limits	64,000
Lee Highway (U.S. Route 29)	I-66, west of Centreville	Centreville Road (Route 28)	33,000
Lee Highway	Centreville Road (Route 28)	Gunpowder Road (Route 2953)	31,000
Lee Highway	Gunpowder Road	Fairfax western city limits	38,000
I-66, east	Lee Highway, near Centreville	Sully Road (Route 28)	60,000
I-66, east	Sully Road	Fairfax County Parkway	71,000
I-66, east	Fairfax County Parkway	Lee-Jackson Highway	67,000
I-66, east	Lee-Jackson Highway	Chain Bridge Road (Route 123)	104,000
Sully Road	Lee Highway, near Centreville	I-66, north of Centreville	75,000
Sully Road	I-66, north of Centreville	Lee-Jackson Highway at Dulles Airport	76,000

Source: Virginia Department of Transportation, Average Daily Traffic Volumes on Interstate, Arterial and Primary Routes (2004)

Exhibit 8 – MWCOG Traffic Analysis Zones and Districts




1729
1731
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314
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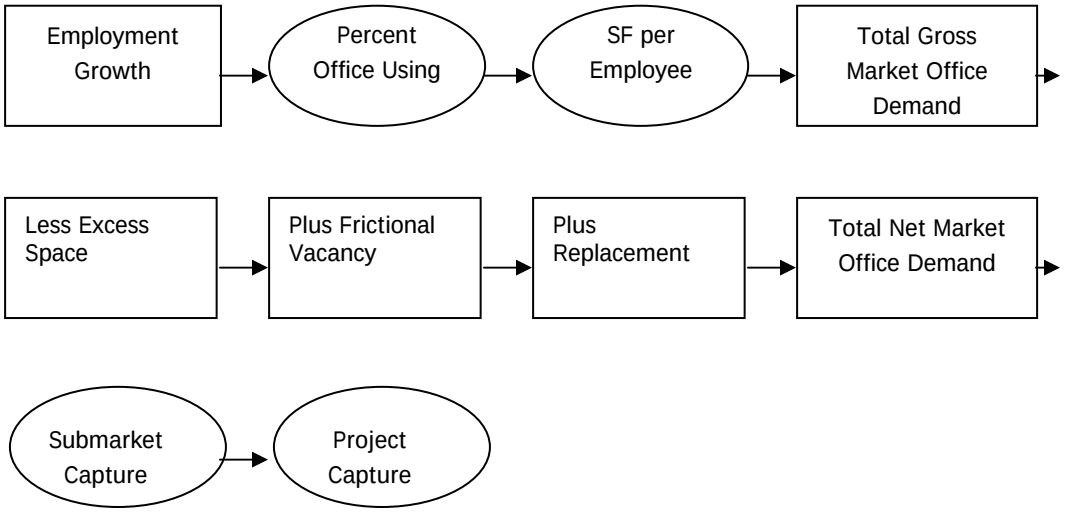
1701
312

Exhibit 9 – Office Demand Model

Office Demand Model

Assumptions:

- Assume 52.3% of employees in these sectors are office using
- 250 SF per employee
- The other two sites that will likely be developed with office space have similar zoning, but your site is one block closer to rail transit and you have freeway visibility



Attached data:

- Metro employment growth by sector
- Metro-wide vacancy
- Metro-wide historic absorption
- Submarket historic absorption

Scenario # 1: Utilizing employment growth projections for the specific site Traffic Analysis Zone. Based on current supply and demand the site would not support additional development from 2007 to 2010.

1	Employment Growth	1,650	**TAZ # 1709 (2007 to 2010)**
2	Percent Using Office	52.3%	From BEA CA 25
3	SF Per Employee	250 SF	
4	Total Gross Market Office Demand	215,738 SF	
5	Less Excess Space (Existing Vacancy)	232,771 SF	Class A - Dulles Corridor South
		-17,034 SF	
6	Plus Frictional Vacancy (Always Vacant)	1.03	
7	Plus Replacement (Obsolescence)	1.05	
8	Total Net Market Office Demand	-18,422 SF	
	Less Under Construction	202,992 SF	CoStar
		-221,414 SF	
9	Submarket Capture	75.0%	Class A - Dulles Corridor South
		Market Oversupply	
10	Project Capture	50.0%	
		Market Oversupply	

Scenario # 2: Utilizing employment growth projections for the specific site Traffic Analysis Zone. Based on current supply and demand the site would support limited additional development from 2010 to 2015.

1	Employment Growth	1,216	**TAZ # 1709 (2010 to 2015)**
2	Percent Using Office	52.3%	From BEA CA 25
3	SF Per Employee	250 SF	
4	Total Gross Market Office Demand	158,992 SF	
5	Less Excess Space (Existing Vacancy)	60,000 SF	Class A - Dulles Corridor South
		98,992 SF	
6	Plus Frictional Vacancy (Always Vacant)	1.03	
7	Plus Replacement (Obsolescence)	1.05	
8	Total Net Market Office Demand	107,060 SF	
	Less Under Construction	0,000 SF	Class A - Dulles Corridor South
		107,060 SF	
9	Submarket Capture	75.0%	Class A - Dulles Corridor South
		80,295 SF	
10	Project Capture	50.0%	
		40,147 SF	

Scenario # 3: Utilizing employment growth projections for the expanded site Traffic Analysis Districts. Based on current supply and demand the site would support additional development from 2010 to 2015.

				TAD #'s 310, 312, & 314 (2010 to 2015)
1	Employment Growth	13,416		
2	Percent Using Office		52.3%	From BEA CA 25
3	SF Per Employee		250 SF	
4	Total Gross Market Office Demand		1,754,142 SF	
5	Less Excess Space (Existing Vacancy)		500,000 SF	Estimated
			1,254,142 SF	
6	Plus Frictional Vacancy (Always Vacant)		1.03	
7	Plus Replacement (Obsolescence)		1.05	
8	Total Net Market Office Demand		1,356,355 SF	
	Less Under Construction		0,000 SF	Estimated
			1,356,355 SF	
9	Submarket Capture		75.0%	Class A - Dulles Corridor South
			1,017,266 SF	
10	Project Capture		10.0%	
			101,727 SF	

		2000	2005	2010	2015	2020	2030
	Acres	**Employment Year**					
TAD 310	11,482	3,263	3,459	4,299	4,633	4,725	4,883
TAD 312	12,623	48,531	53,460	64,921	72,043	78,443	90,888
TAD 314	7,937	62,765	67,519	81,532	87,492	94,212	103,691
	32,042	114,559	124,438	150,752	164,168	177,380	199,462
		2000	**2005**	**2010**	**2015**	**2020**	**2030**
TAZ							
1709	591	4,008	3,904	6,655	7,871	8,287	8,290

05 to 10 10 to 15 15 to 20 05 to 30

		Change over 5 year periods		
TAD 310	840	334	92	1,424
TAD 312	11,461	7,122	6,400	37,428
TAD 314	14,013	5,960	6,720	36,172
	26,314	13,416	13,212	75,024

TAZ				
1709	2,751	1,216	416	4,386
%	10.5%	9.1%	3.1%	5.8%

07 to 10	1,651	243.20 per yr

pi r sq	radius (miles)	sq miles		
3.141593	4	50.265482	acre/sq mile	
			640	Fairfax Cnty
			50.06578	406.6 sq miles

The 3 Traffic Analysis Districts are comprised of 32,042 acres. This is approximately 50 square miles which is similar to a 4 mile radius area.

Detail of each of the three Traffic Analysis Districts with breakdown of Traffic Analysis Zones. The site is located in TAZ # 1709.

Fairfax Co./Fairfax City/Falls Church

TAD 310		**2000**	**2005**	**2010**	**2015**	**2020**	**2030**
TAZ	**Acres**	**Employment Year**					
1662	2,213	9	9	17	23	28	40
1663	3,086	334	334	357	369	378	399
1664	1,526	281	281	299	304	308	318
1665	82	208	317	876	950	950	950
1673	1,317	708	709	725	734	734	734
1674	515	486	500	603	619	620	622
1675	963	738	798	869	1,046	1,071	1,094

1676	677	258	263	282	298	321	363
1677	774	228	234	255	273	298	346
1678	332	13	14	16	17	17	17
	11,482	3,263	3,459	4,299	4,633	4,725	4,883

TAD 312		**2000**	**2005**	**2010**	**2015**	**2020**	**2030**
TAZ	**Acres**	**Employment Year**					
1697	853	14	14	59	70	76	77
1698	645	3,419	4,177	5,485	6,246	7,257	9,370
1699	1,640	150	150	150	150	244	294
1700	2,409	1,689	1,927	2,243	3,002	3,343	3,677
1701	933	5,690	7,122	7,896	8,632	9,110	9,538
1702	888	11,720	13,004	15,324	16,201	17,219	20,367
1703	273	2,616	2,711	2,815	2,987	3,134	3,396
1704	740	686	708	793	826	856	862
1705	517	6,481	6,677	7,893	8,574	9,703	12,713
1706	255	4,563	4,696	5,368	5,514	5,540	5,561
1707	403	3,928	4,393	5,573	6,829	8,093	10,203
1708	299	2,283	2,680	3,320	3,741	4,112	5,017
1709	591	4,008	3,904	6,655	7,871	8,287	8,290
1710	310	201	208	215	224	231	238
1711	895	945	949	972	998	1,036	1,063
1712	973	138	140	160	178	202	222
	12,623	48,531	53,460	64,921	72,043	78,443	90,888

TAD 314		**2000**	**2005**	**2010**	**2015**	**2020**	**2030**
TAZ	**Acres**	**Employment Year**					
1727	534	681	698	735	759	788	830
1728	660	1,971	1,960	2,330	2,437	2,498	2,554
1729	359	951	979	1,036	1,047	1,095	1,231
1730	118	3,352	3,807	4,854	5,053	5,167	5,364
1731	705	6,964	7,507	12,546	14,470	17,169	21,622
1732	223	3,375	4,202	6,947	8,084	9,206	11,976

1733	730	915	1,012	1,189	1,444	1,478	1,512
1734	499	118	118	127	135	149	149
1735	488	77	77	89	101	118	133
1736	405	501	501	509	525	549	561
1737	172	37	38	40	41	43	45
1738	631	566	561	702	729	734	745
1739	344	12,960	13,420	14,538	14,881	15,123	15,752
1740	131	2,496	2,784	3,189	3,266	3,302	3,443
1741	763	9,662	9,557	11,026	11,648	11,876	12,175
1742	329	7,625	8,818	9,516	10,272	12,019	12,019
1743	165	5,128	5,644	6,175	6,362	6,490	6,960
1744	681	5,386	5,836	5,984	6,238	6,408	6,620
	7,937	62,765	67,519	81,532	87,492	94,212	103,691

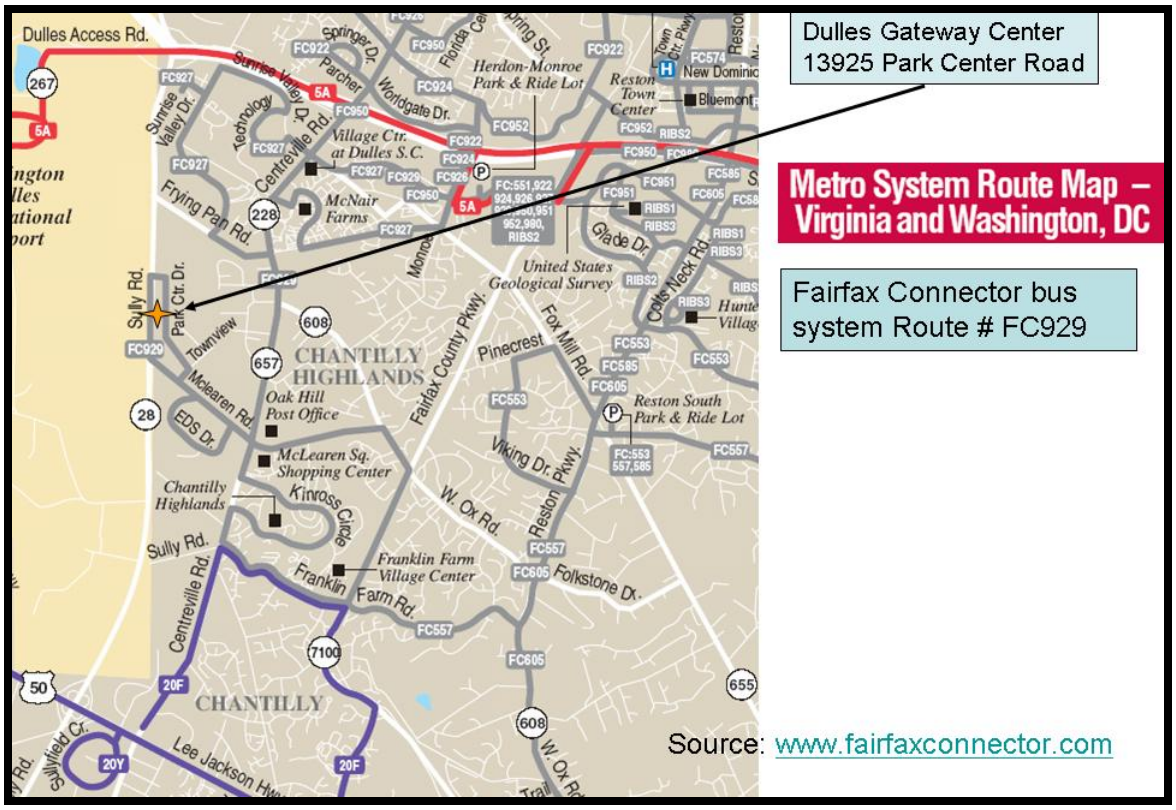
Metropolitan Washington
Council of Governments
Round 7.0a Cooperative
Forecasts
Total Employment

	2000	**2005**	**2010**	**2015**	**2020**	**2025**	**2030**
	Employment Year						
DC	743,594	744,788	783,462	816,024	829,531	843,843	859,102
Fairfax Co./ Fairfax City/ Falls Church	615,270	639,221	727,012	777,998	827,599	871,423	904,191
COG/TPB Model Region Total	3,506,663	3,783,888	4,177,672	4,483,175	4,763,734	5,026,693	5,275,961

Oct-06 http://www.mwcog.org/store/item.asp?PUBLICATION_ID=285

Data Collected from CoStar and LoopNet - April 2007			
Existing	**RBA**	**Avail**	**Vacant**
Hallmark Bldg	325,136	54,062	17%
Dulles Gateway Center - Phase I	147,624	116,370	79%
3076 Centreville Rd - Lincoln Park II - Bldg B	96,920	51,860	54%
3914 Centreville Rd - Chantilly Professional Bldg	42,700	4,266	10%
Fort Hill Office Centre	65,135	6,213	10%
	677,515	232,771	
Under Construction -- Delivers April 2007	**RBA**	**Avail**	**Vacant**
13857 McLearen Dr - Lincoln Park III @ Dulles International Centr	202,992	202,992	100%
Total RBA & Available (Existing + Under Constr.)	880,507	435,763	
Proposed	**Potential**		
3074 Centreville Rd - Lincoln Park II-Bldg A	96,558		
Frying Pan Rd @ Horsepen Rd - Pomeroy Tract I	2,000,000		
Frying Pan Rd @ Horsepen Rd - Pomeroy Tract II	500,000		
13855 McLearen Rd - Lincoln Park III @ Dulles International Cente	185,000		
Dulles Gateway Center - Phase II	300,000		
	3,081,558		

Exhibit 10 – Fairfax County Connector Bus Line



929 Centreville Road

Schedule Effective 10/2/2006

Weekday: AM Service | PM Service

Herndon-Monroe, Chantilly Highlands and Renaissance Park via Centreville Road

Weekday AM Service

AM Schedule									
♿929	-	5:17a	5:22a	5:28a	5:31a	5:36a	5:43a	5:47a	5:54a
♿929	5:29a	5:35a	5:40a	5:46a	5:49a	5:54a	6:01a	6:05a	6:12a
♿929	5:57a	6:03a	6:09a	6:15a	6:18a	6:23a	6:30a	6:34a	6:41a

♿929	6:26a	6:32a	6:38a	6:44a	6:47a	6:52a	6:59a	7:03a	7:10a
♿929	6:56a	7:02a	7:08a	7:14a	7:17a	7:22a	7:29a	7:33a	7:40a
♿929	7:27a	7:33a	7:39a	7:45a	7:48a	7:53a	8:00a	8:04a	8:11a
♿929	7:57a	8:03a	8:09a	8:15a	8:18a	8:23a	8:30a	8:34a	8:41a
♿929	8:24a	8:30a	8:36a	8:42a	8:45a	8:50a	8:57a	9:01a	9:08a
♿929	8:56a	9:02a	9:08a	9:14a	9:17a	9:22a	9:29a	9:33a	9:40a

Weekday PM Service

PM Schedule									
♿929	3:33p	3:40p	3:48p	3:54p	4:01p	4:07p	4:11p	4:15p	4:22p
♿929	4:03p	4:10p	4:18p	4:24p	4:31p	4:37p	4:41p	4:45p	4:52p
♿929	4:25p	4:32p	4:40p	4:46p	4:53p	4:59p	5:03p	5:07p	5:14p
♿929	4:55p	5:02p	5:10p	5:16p	5:23p	5:29p	5:33p	5:37p	5:44p
♿929	5:25p	5:32p	5:40p	5:46p	5:53p	5:59p	6:03p	6:07p	6:14p
♿929	5:55p	6:02p	6:10p	6:16p	6:23p	6:29p	6:33p	6:37p	6:44p
♿929	6:25p	6:32p	6:40p	6:46p	6:53p	6:59p	7:03p	7:07p	7:14p
♿929	6:55p	7:02p	7:10p	7:16p	7:23p	7:29p	7:33p	7:37p	7:44p
♿929	7:25p	7:32p	7:40p	7:46p	7:53p	7:59p	8:03p	8:07p	8:14p

HOLIDAY SERVICE

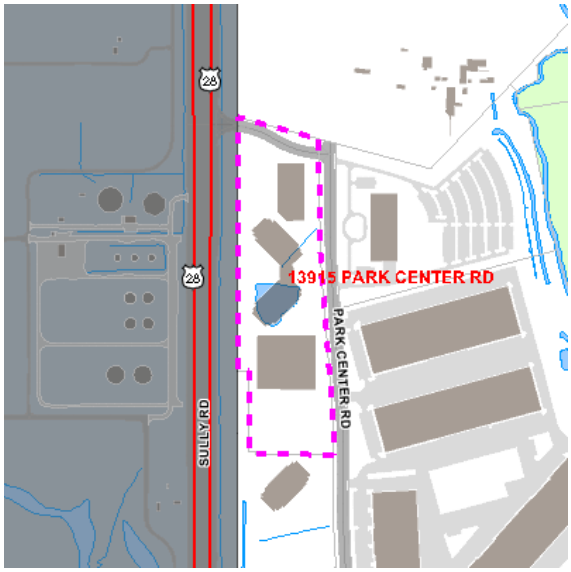
New Year's Day	No Service
Easter	No Service
Memorial Day	No Service
Independence Day	No Service
Labor Day	No Service
Thanksgiving Day	No Service
Christmas Day	No Service

For more information, call 703-339-7200 or visit www.fairfaxconnector.com.

Exhibit 11 – Fairfax County “My Neighborhood” profile

http://www.fairfaxcounty.gov/gisapps/myneighborhood/reportnbhd.aspx?fxmMapFunction=REPORT_NEIGHBORHOOD&fxmMapParameters=0242*010011C2**

General Information	
Address	13915 PARK CENTER RD HERNDON, VA 20171
Parcel Identifier (PIN)	0242 01 0011C2 View Tax Assessment



Elected Officials and Voting	
Board of Supervisors Chairman	GERALD E. "GERRY" CONNOLLY
Supervisor District	SULLY (MICHAEL R. FREY)
District School Board Member	KATHY L. SMITH
School Board Member at Large	ILRYONG MOON
School Board Member at Large	STEPHEN M. HUNT

School Board Member at Large	JANET S. OLESZEK
Virginia House of Delegates	THOMAS DAVIS RUST
Virginia State Senate	MARK R. HERRING
US House of Representatives	FRANK R. WOLF
US Senate	JAMES H. WEBB, JR.
	JOHN W. WARNER
Voting Precinct	FRANKLIN
Polling Place	FRANKLIN MIDDLE SCHOOL 3300 LEES CORNER RD

Public Safety	Name	Address	Distance *
Police District Station	FAIR OAKS DISTRICT PD	12300 LEE JACKSON MEMORIAL HY	5.61
Fire Station	FIRE STATION 36	2660 WEST OX RD	0.79
Schools			
Elementary School	FLORIS	2708 CENTREVILLE RD	0.81
Middle School	CARSON	13618 MCLEAREN RD	1.12
High School	WESTFIELDS	4700 STONECROFT BV	4.09
Health and Public Services			
Hospitals	HCA RESTON HOSPITAL CENTER	1850 TOWN CENTER PW	3.81
	INOVA EMERGENCY CARE CENTER - RESTON	11901 BARON CAMERON RD	4.27
Libraries	HERNDON FORTNIGHTLY LIBRARY	768 CENTER ST	3.18
	CHANTILLY REGIONAL LIBRARY	4000 STRINGFELLOW RD	4.04
Post Offices	OAK HILL PO	13520 MCLEAREN RD	1.37
	HERNDON PO	590 GROVE ST	3.26
Parks and Recreation			
	HORSEPEN RUN STREAM VALLEY	SULLY RD (RT 28)/ LAWYERS ROAD	0.23
	FRYING PAN STREAM		0.25

* The distances reported are the shortest straight line distance between the address being reported on and the facility in miles. These distances may vary, sometimes significantly, from the actual distance as travelled by car.

Exhibit 12 – Route 28 Tax District Information

Rte. 28 Transportation Tax District - This special tax district operates on a levy of $0.20 per $100 assessed value on commercial and industrial zoned property, or property used for commercial or industrial purposes within the district. This tax levy does not apply to residential property. http://www.fairfaxcounty.gov/dta/special_district.htm

Exhibit 13 – Dulles Corridor Office Market

These first 2 charts show the whole of the Dulles Corridor including Great Falls and Reston submarkets which were excluded from the original analysis.

Dulles Corridor: Buildings -- Existing			
SubMarket	Rentable Building Area	Total Available Space (SF)	Vacany Rate
Great Falls	198,187	1,350	0.7%
Herndon	11,066,343	1,440,761	13.0%
Reston	17,144,729	2,369,255	13.8%
Route 28 Corridor North	7,806,970	1,286,880	16.5%
Route 28 Corridor South	11,000,619	2,219,306	20.2%
Total for Dulles Corridor	47,216,848	7,317,552	15.5%

Dulles Corridor: Buildings -- Under Construction through 2008			
SubMarket	Rentable Building Area	Total Available Space (SF)	Pre-Leased
Great Falls	-	-	0.0%
Herndon	1,476,397	1,446,023	2.1%
Reston	1,231,712	951,855	22.7%
Route 28 Corridor North	466,510	466,510	0.0%
Route 28 Corridor South	1,203,868	792,734	34.2%
Total for Dulles Corridor	4,378,487	3,657,122	16.5%

Exhibit 14 – Fairfax County Land Use Compatibility Guidelines Within the Dulles Airport Noise Impact Area

TABLE 2
Land Use Compatibility Guidelines
Within The Dulles Airport Noise Impact Area

Activities and/or Land Uses	Greater than DNL 75 dBA	DNL 70-75 dBA	DNL 65-70 dBA	DNL 60-65	Less than DNL 60 dBA
Residential	Not Recommended	Not Recommended	Not Recommended	Not Recommended	Compatible
Educational and Institutional [1]	Not Recommended	Not Normally Recommended	Conditionally Compatible	Compatible	Compatible
Auditoriums, Concert Halls	Not Recommended	Not Recommended	Not Recommended	Compatible	Compatible
Offices, Personal, Business and Professional Services, Retail Commercial Uses, Movie Theaters, Restaurants [2]	Conditionally Compatible	Conditionally Compatible	Compatible	Compatible	Compatible
Transient Lodging (Hotels, Motels)	Not Recommended	Conditionally Compatible	Conditionally Compatible	Compatible	Compatible
Sports Arenas, Outdoor Spectator Sports	Not Recommended	Not Recommended	Compatible	Compatible	Compatible
Playgrounds, Neighborhood Parks	Not Recommended	Not Recommended	Compatible	Compatible	Compatible
Golf Courses, Driving Ranges, Water Recreation, Cemeteries [3]	Compatible	Compatible	Compatible	Compatible	Compatible
Commercial Wholesale and Selected Retail, Industrial/ Manufacturing, Transportation Communication and Utilities [4]	Compatible	Compatible	Compatible	Compatible	Compatible
Animal-related services [5]	Not Recommended	Compatible	Compatible	Compatible	Compatible
Agricultural	Compatible	Compatible	Compatible	Compatible	Compatible

Footnotes to Activities and/or Land Uses:

[1] School classrooms, libraries, churches, hospitals.
[2] Professional and financial offices, banks, savings and loan associations, mortgage bankers, insurance offices, real estate offices, architects, engineers, attorneys-at-law, decorators, medical and dental clinics and labs, funeral homes and mortuaries, retail stores, clothing stores, department stores, food and dairy markets, cafes, restaurants (enclosed and drive-in), cafeterias, barber shops, beauty shops, new and used car sales, country clubs.
[3] Swimming pools, shooting ranges, miniature golf courses.
[4] Auto salvage and wrecking yards, industrial metal and waste salvage yards, manufacturing facilities, gasoline service stations, ambulance services, automotive repair garages, public storage garages, taxi dispatch offices, automobile washing stations, lumber yards, warehousing, motor freight terminals, railway passenger and freight stations, airport services.
[5] Animal grooming services, dog kennels, veterinarians and veterinarian hospitals.

Exhibit 15 – Profile of Peter Lawrence of Virginia

Who We Are

The Peter Lawrence Company (Peter Lawrence Commercial Real Estate, Inc. and Peter Lawrence of Virginia, Inc.) is a privately held commercial real estate firm actively engaged in the acquisition, development and management of investment grade commercial properties. Peter Lawrence specializes in high-quality industrial, flex and suburban office buildings. The Company focuses on markets poised for long-term growth and currently has a significant presence in the Tampa, Miami and Northern Virginia markets. Peter Lawrence's properties cover multi-function, types and sizes to serve a broad spectrum of users. Overall, the portfolio consists of 25 projects in 63 separate buildings with one common denominator: superb location. Each Peter Lawrence project is located within an active commerce center and in close proximity to a major international airport. Every Peter Lawrence property reflects our commitment to long-term value and providing quality facilities for our tenants.

History

Peter Lawrence Commercial Real Estate was formed in 1988 to acquire, develop, lease and manage commercial real estate. The initial property acquisitions were made in the Tampa market where the Company's headquarters are currently located. Shortly thereafter, Peter Lawrence expanded into the Miami market where the firm not only acquired existing industrial buildings, but also purchased vacant land parcels upon which the company developed Class A industrial product. In the early 1990's, the firm further diversified its portfolio by acquiring property in Northern Virginia within the Washington, D.C. metropolitan area. Peter Lawrence grew by not only purchasing industrial/warehouse facilities, but also acquired well-located suburban office buildings. During the late 1990's and into the early years of this decade, Peter Lawrence's growth was primarily fueled by the construction and development of regional distribution facilities and mid-rise, Class A office buildings. In aggregate, the Peter Lawrence portfolio currently consists of 3.3 million square feet.

Future

The Peter Lawrence Company and its employees take pride in providing the highest level of property management and services to achieve superior performance levels throughout its properties. Professional strength and a presence in each local market ensure unmatched service and excellence are delivered to our tenants. The Company has several available sites suitable for development or re-development and continues to seek out opportunities to further expand its holdings in existing markets or elsewhere.